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THE ROUND TABLE

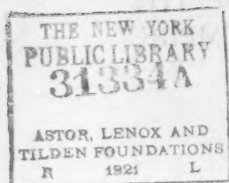
A QUARTERLY REVIEW OF THE
POLITICS OF THE BRITISH EMPIRE

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Volume XI

DECEMBER 1920 TO SEPTEMBER 1921

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THE ROUND TABLE



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THE ROUND TABLE

A QUARTERLY REVIEW OF THE
POLITICS OF THE BRITISH COMMONWEALTH

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NOTE

THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in all parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of Imperial politics, free from the bias of local party issues. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE will reflect the current opinions of all parts about Imperial problems, and at the same time present a survey of them as a whole. While no article will be published in the interest of any political party, articles may from time to time be published explaining the standpoint of particular parties or sections of opinion. In such cases, however, the character of the article will be made clear by an introductory note.

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THE BRITISH COMMONWEALTH OF NATIONS IN 1921

THE Prince of Wales's return from Australia, New Zealand and the West Indies seems to complete a certain period in Imperial affairs. All the peoples of the Empire have been taking stock of the changes wrought by the war, like ships reading their position in the first sunshine after a violent storm. New ideas have emerged; some currents of national feeling have doubled and trebled their force, others are felt no more; it is an altered world for all, transfigured by new hopes, shaken with new fears, and uncertain of its lot.

On the one hand, a strong wave of humanitarian idealism has formed the League of Nations to simplify and moralize international dealing in the eager hope of abolishing war. On the other hand, a revolutionary materialism is assailing the social, economic and political fabric of civilized life, powerful in some countries, weak in others, but felt in some degree throughout the world. The terrible disparities of individual and even of national experience during the war, the contrast of men and peoples who have profited with men and peoples who have staked their all, have fostered widespread discontent. This has aggravated the "fever of anæmia," the mental and moral unrest, which have followed upon heroic effort, long-protracted strain, and awful loss. Though the British peoples, and especially the great oversea Dominions, have recovered much more rapidly than those parts of Europe

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which were the centre of the war, the Empire has had fever in its system for many months, and has felt the universal distraction of uncertainty and unrest.

Carried out in these apparently unfavourable conditions, the Prince of Wales's journeys have exercised a wonderfully cheering and steadying influence wherever he has been. The aura of keen and healthy youth which surrounds him has radiated hope and goodwill. His happy presence has been a solvent of social bitterness and political feud. He has often been described as an ambassador, but the word is misleading, for ambassadors are not fellow-countrymen of the peoples to whom they are sent. The Prince of Wales has taken naturally and of right to the democratic British life of the nations oversea; he has fallen straight into their hopes and fears without axes of his own to grind or policies to pursue. If diplomacy consists in being natural and pleased to please, he has been diplomacy itself; and, like Pippa passing, he has touched even the saddest and most subversive souls with a sudden feeling that the world is not so bad after all.

A private letter from a hospital in one of the Dominions recalls the very spirit of Browning's poem:—

When the eighty men left — for —, many of them boasted that they didn't care a rap about the Prince, but that it would be "a chance for a booze," and that most of them intended overstaying their leave. Yesterday every man returned, and not one of them—even the man who made the disturbance on parade—was even "half seas over." One and all had been intensely impressed by the Prince's own devotion to duty. It is one of those incidents which has to be seen before it can seem possible. The doctors, nurses, and sergeants in charge had gone away with sinking hearts. They have returned marvelling.

Heard among patients in hospital afterwards:—

1ST VOICE: "Oh, he's a man—no side."

2ND VOICE: "I wouldn't mind shaking hands with him again—makes you feel good somehow—don't know how he does it."

The power of personality is always beyond analysis, but it is hard to over-rate its value in one like the Prince of

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Wales, whose influence can spread as naturally as a breeze over the life of the King's subjects in all parts of the world.

The disillusionment which followed the conclusion of peace with Germany is now at last giving way to a fairly clear perception of the problems which the Empire must prepare to face. Circumstances have been deeply changed by the war, and the Imperial problem is looked upon as transformed. The most salient of all changes are the complete annihilation of German sea-power and the substitution of a widespread belief in international co-operation for the old precarious balance of power. The League of Nations is still an absolutely unrealized ideal; for though the League exists in name, and has even in practice done some useful work, European reconstruction is still in the main a matter of discussion between antagonistic groups, of which one group holds an overwhelming share of power. The League is also severely handicapped by the non-participation of the United States, whose new President-elect seems likely to suggest fundamental changes in its form.

Both these factors—the elimination of German sea-power and the establishment of the League—have profoundly influenced people's views about the problem of British unity. The Dominions have claimed, and have been generally acknowledged to possess, a status equal to that of the United Kingdom, both in the domestic relations of the British Empire and in the councils of the world. The formal unity of the Empire is at the same time recognised by common allegiance to one Sovereign, and by the fact that in the Council of the League of Nations the Empire is represented by a single vote. It was widely held for some time after the publication of the Covenant that the co-operation of the nations of the British Empire within the League of Nations was sufficiently provided for by the machinery of the League itself. The national status of the Dominions, assured by their possession of one vote

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each in the Assembly, where the United Kingdom also holds one vote, was regarded as no bar to united action in the Council, where the five sovereign British democracies must of necessity put their affairs into the hands of one representative, whose single vote commits them all. Whatever its practical difficulties—which are still largely unproved—this system justly represented the feelings of the Dominions at the time when it was made. It originated from the need of reconciling three powerful currents of feeling—first, a greatly and justly enhanced sense of national dignity in each of the Dominions, to which any subordination to the United Kingdom had become intolerable; second, a powerful popular belief in the ideal of international co-operation, which found expression in the League; and third, the ever-present, though often underlying, consciousness of British unity in aim and ideal which is symbolized by the Crown. Compact of these three strains, the system was a characteristically British compromise.

Some disillusionment has since ensued. The insistent troubles of Europe, the refusal of the United States to enter the League, and the rifts which have threatened to develop between some of the victorious Powers, have modified the eager popular hopes which were built upon the new system of international co-operation embodied in the Covenant. Attainment of the ideal is felt to be remote, though it remains an ideal still. On the other hand, events are bringing into prominence the vital importance of close co-operation between the British nations, whatever the fortunes of the wider League; and the Prince of Wales's journeys have stimulated thought and sentiment regarding the British Throne. He has, indeed, so much quickened the sense of British unity under the Crown that the political significance of the Crown in the Imperial system has been discussed from every point of view in public and in private for many months past; and opinion has moved rapidly towards a belief that the Monarchy may be relied on to

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serve not only as the key of the Imperial arch, but also as the buttresses to take its outward thrust.

From this point of view the Prince of Wales's journeys have been something of much deeper significance than a personal triumph, profoundly as his own personality has contributed to their success. His naturalness, his winning charm of manner, his absolute indifference to the artificialities of social rank or class, his close association with the soldiers of the Empire during the war, his own steady and unpretentious service as a junior officer at the front, his quickness to grasp and appreciate the atmosphere and idiom of the peoples amongst whom he has moved, and last but not least, the appeal of his youthful good looks and happy zest in life—all these things have won him a position in the hearts of the King's subjects everywhere which no member of the Royal Family has held so widely before. In spite of this, to describe his influence as entirely personal would be to minimise its real significance. He is not, like an actor or a politician, entirely dependent on his personal gifts. On the contrary, the all-conquering effect of his presence is due to the fact that, with all his charm of character and manner, he is also Prince of Wales and heir to a far-descended allegiance which enshrines all the most deep-seated loyalties of the British race. What that loyalty is and means was shown as by a lightning-flash when in August, 1914, the Empire found itself committed to a long battle for its life. It is the same sudden revelation of their innermost selves which touches great multitudes at the sight of the Prince of Wales.

For the Prince of Wales was not greeted merely as a romantic figure, a legendary Prince Charming out of Grimm's Tales, but with a universally possessive sense as "our" Prince—"ours" to Canadians, Australians and New Zealanders no less than to the people of England, Scotland and Wales. In the reaction from the war they had lost to some extent the vivid sense of British unity which inspired them until victory was secure. Grievance and unrest had

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obscured their deeper feelings, sheer necessity had turned their minds inwards to domestic affairs ; and amid the crash of many thrones under the onset of democratic ideas even the British Monarchy seemed no more than a cherished relic, out of keeping with the true movement of the times. The Prince of Wales routed these shadows at a touch. As "our" Prince, he revived that sense of a common loyalty which carried the Empire through the war ; and, as a young man eagerly sympathetic with democratic ideas, he revolutionised their doubts regarding monarchical regimes. Many felt before he came that royalty and the people could never mix, and when they found themselves mistaken marvelled at the strength of feeling which carried them away. Many others developed a new appreciation of the value of monarchy to democratic States. "Do we want an Australian Republic ?" asked an Australian newspaper of advanced opinions during the Prince of Wales's tour :—

Certainly not. A republic is not necessarily any better than a Monarchy, even though royal families, as institutions, are a survival, the existence of which can only be seriously defended by those without a sense of humour, not to speak of justice. If "all men are born equal and free," why should one man be born a pauper and another a king ? But while to dethrone a king accomplishes a dethronement, it does not necessarily do anything else. The issue, in other words, is not basic. The real king in modern times is not the royal personage who wears the crown, but King Capital. And King Capital is just as much a king in republican America, or republican France, as in royalist England. Indeed, King Capital is more of a king in the land of the Stars and Stripes than in the land of the Union Jack. We are scarcely concerned, therefore, about royalty. In fact, we frankly declare that we prefer the constitutional British royalty to some, indeed any, of the probable alternatives in the conditions of the British Empire. Would we be any better off with Mr. Lloyd George as British President or Mr. Hughes—neither of whom are men of their words, and both of whom are born autocrats, even though born in mean streets and drawn, if not from "the dregs of society," at least not from its superfine blue-blooded strains ? No, we have nothing to gain from merely toppling the throne. Further, King George is in no way obnoxious ; on the contrary, he has even won respect and popularity founded on a clean and honourable life and public duties cleanly and honourably

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discharged. What sort of respect would we have for the party-tossed politicians who would become presidents of a capitalistic republic? They would not live, like Lenin, on £6 a week, would they?

Again, we do not want to "cut the painter." We have nothing to gain thereby, but, on the contrary, much to lose, both in sentiment and security. To begin with, we have a real affection for the mother country, also we have a real pride in the potentialities for good of the political unity called the Empire, and again the whole tendency of the larger Labour sentiment is not towards separation and disunity in "independence," but towards unity in liberty and "inter-dependence," a unity, indeed, so complete in ideal as to visualise a world State in futurity, in one universal co-operative world, founded on freedom and right, geographically separated, and humanly united in the Parliament of Man. Hence, although Labour has a place for nationality, and prizes patriotism provided it is rational, the tendency of Labour is not towards a senseless separatism, which would split the planet more than it is already split. Further, as Anglo-Saxons, Irish, and Scotch, we not only honour the lands of our forefathers, but have a racial belief in the one racial mission, symbolised much more by the Empire's potentialities rather than by some of its present unfortunate actualities. From every point of view, cut the painter is distasteful. Nevertheless, if we are not let alone, an Australian Republic will be advocated for sure. And we do not want to see anything of the kind.*

It is no wonder that oratory is tending to dwell with increasing insistence upon the unifying influence of the Crown.

Followed to its logical conclusion, the theory that five sovereign nations can remain permanently united by the single link of the Throne brings us face to face with the central Imperial problem of the time; and it is wise to pursue the logic of the matter faithfully, even if we believe that in practice the logic may be circumvented. In law it is no new thing for the Crown to sue the Crown; the Crown in this context is a legal symbol, and the fortunes of the case, whatever they may be, do not affect the fortunes of the Monarchy. In politics it is otherwise. The Crown, as the head of one Government, cannot disagree

* From leading article, *Sydney World*, June 16, 1920.

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with the Crown as the head of another Government without one of two results ; either the Crown must decide in favour of one of the two Governments, in which case it is straining the Royal prerogative against the other Government ; or else the two Governments must pursue their separate courses, in which case the value of the Crown as a unifying principle in the Constitution becomes small. The equality of status which the Dominions have achieved makes this dilemma really acute. It is urged that in future the King must act on the advice of six different Governments, all of whom have separate votes in the Assembly of the League of Nations, and all of whom may disagree. The logic of the matter points, therefore, to a real danger that the Crown may be drawn into politics, and that its value as a symbol of all that is common and non-partizan in British life may in consequence be lost.

Is this logic too absolute to fit the practical conditions of life ? Possibly it is, but the views of leading statesmen in the Dominions suggest a doubt. The reason of this becomes apparent as soon as the logic is submitted to a practical test. Pending the establishment of some new constitutional mechanism for continuous consultation between the British nations, the Government of the United Kingdom remains responsible for the conduct of ordinary relations with foreign Powers. As no Canadian minister has yet been appointed to Washington, this is true even of the continental relations of Canada and the United States. So far as normal relations are concerned the system works ; but the real test lies in great questions of policy such as the renewal of the Anglo-Japanese Alliance, or the future of British control in Egypt and the Middle East. The Anglo-Japanese Alliance, in particular, affords a salient test. Is it certain that all the Dominions will hold identical views concerning it ? If not, are their divergent views to be represented separately to His Majesty, who will then have to exercise a new prerogative in choosing which policy he is to carry out ? Or will the different Governments of

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the Empire consult together beforehand, in order that, if possible, they may all agree to tender His Majesty the same advice?

This problem of co-operation has recently been very capably and carefully explored in a book entitled *The British Commonwealth of Nations*.^{*} It comes from the pen of a young Australian writer, and deserves thorough study by all who take a practical interest in Imperial politics. After reviewing the constitutional developments of the last half century, with particular reference to the great changes established during the war, the author, Mr. Duncan Hall, argues with much cogency that some method of continuous consultation is absolutely necessary, and makes practical suggestions for this purpose. We may have occasion to deal in greater detail with Mr. Duncan Hall's suggestions and arguments. Here it is sufficient to say that we accept in principle his main conclusion that some further mechanism for co-operation is necessary to keep the peoples of the British Commonwealth a united force in international politics. General Smuts's recent and repeated references to the need of an Imperial Conference for this purpose will be in everybody's mind. The need is pointed with equal force by the imminence of a new Government in the United States, which will probably reopen the wider question of international co-operation under the Versailles Covenant.

We shall endeavour in due course to discuss the details of the problem of Imperial co-operation. For the moment, however, we wish to suggest only a method of approach. The argument for the unity of the Empire has hitherto always been stated as an argument from the whole to the parts. The great functions of the Empire in the world have been faithfully set out; its disruption has been justly described as a catastrophe which every part of it would

^{*} *The British Commonwealth of Nations*. A Study of the Past and Future Development, by H. Duncan Hall, University of Sydney and Balliol College, Oxford. Methuen. See Note at the end of this article.

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desire to avert ; and from these premises reason has been shown for constitutional reorganisation, which would, people fear, necessarily limit in some degree the full national independence of the self-governing parts. The reaction from this method of argument is apparent everywhere ; and allegiance to the Crown, which is the Head of every British Government throughout the world, has become for the moment the all-sufficient sign and guarantee of the unity of the Commonwealth ; for this in no way impairs the movement towards full national status as the paramount aim in the political sphere. For the time being the unity is assumed, since, despite some logical dilemmas, it obviously exists ; and practical interest concentrates in each Dominion upon the national future which each people means to shape and control for itself.

This, we suggest, is the natural method by which the Imperial problem should now be approached. The Commonwealth will belie its name unless it can assure to all self-governing nations within it the fullest freedom to shape the form of their own community, to choose the character of the population which they recruit, and to play that part in the councils of the world which their national genius prompts. The argument should, therefore, proceed no longer from the whole to the parts, but from the parts to the whole—from the national aspirations of the Dominions to the constitution of the Commonwealth. As nations, the Dominions must decide to what future they aspire, and from this standpoint they must think out for themselves what degree of unity or what measures of co-operation they desire to maintain with the other members of the British family. If centripetal forces are to balance the centrifugal forces of the day, they must, to be effective, originate at the circumference.

The ROUND TABLE will endeavour to assist its readers throughout the Empire with the material of judgment on this, the immediate problem of the Commonwealth. It hopes in the future to publish the fullest possible record

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of the constitutional developments which have taken place during the war, so as to make it clear where the nations of the Empire now stand. It will seek to deal with all questions of urgent Imperial import by such articles as appear in this number on the Anglo-Japanese Alliance and the policy of the Empire in Egypt. It will explore and support every development of the Imperial Constitution along co-operative lines, for that is unquestionably the proper line of advance for the times.

But its promoters in this country feel bound to state that all the experience of the war and of the peace has not shaken in the least the fundamental conviction with which they commenced the publication of this Review. It is their faith that the continued unity of the British Commonwealth of Nations is necessary to the freedom of its peoples and to the progress of mankind. They believe that that Commonwealth—because it is the freest and most responsible Commonwealth in the world—arouses the hostility and jealousy of less advanced civilisations, and has the duty of helping to protect and educate in the arts of self-government those backward peoples who are not yet capable of standing alone. They do not believe because the German menace has vanished, that external dangers to the Empire have for ever gone; nor do they believe because gigantic strides are being taken towards self-government in India, Egypt and elsewhere, that the work which the British nations have to do for the peoples they control is already done, and that these nations can sit back and take their rest with folded hands. They have always believed, and they still believe, that sooner or later, after the equality of *status* of the Dominions had been fully recognised, necessity and not propaganda would force a conscious movement towards constitutional unity—other than that which the Crown itself gives—if the Empire was to endure, and if its peoples were to accomplish their task of supporting and encouraging the growth of freedom, peace, and progress in the world. The ROUND

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TABLE REVIEW has never expressed an opinion as to the form which this constitutional organisation would take, nor as to the time when it should be undertaken.* But it has never disguised its conviction that a co-operative system, however successful and adequate it might be for a time, would eventually break down, and that the nations which composed it would then of their own free choice have to agree to some form of constitutional unity as the alternative to the dissolution of the Commonwealth, with the danger to themselves, and failure to accomplish their full task in the world, that such dissolution would involve. That conviction it still holds, and while in the meanwhile it will support the growth of Imperial co-operation, will encourage every movement which will consolidate the position of the Dominions as absolutely free and equal partners with Great Britain in power, privilege, and responsibility, and will endeavour always to expose and combat disruptive tendencies, it wishes none of its readers to be in ignorance of its convictions or to think that if and when events force a decision, it will not stand for constitutional unity as the alternative to disruption.

NOTE 1.—We wish to make it clear that nothing that is said in the above article binds any of the study groups in the Dominions which are associated with the ROUND TABLE movement, or applies to the contributions from the Dominions which appear in the ROUND TABLE REVIEW. Such groups are composed of people with different, often opposite, points of view, united only by their common interest in Imperial problems, and they are, of course, free to express any opinion that they think fit.

*NOTE 2.—In order to obviate misunderstandings we further wish to state that the views expressed in *The Problem of the Commonwealth*, by Mr. Lionel Curtis, have never been adopted by THE ROUND TABLE. The views therein set forth are those of the author alone, as the following abstract from the preface will show.

“The shorter report (i.e. *The Problem of the Commonwealth*) is now given to the public on the sole responsibility of the writer himself, because no other way was apparent in which it could be submitted to their judgment. Throughout he has worked in the light cast by the many-sided criticisms of THE ROUND TABLE groups whose numerous members reflect every shade of opinion. Without these materials the report could never have been written in its present

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form ; but the writer himself has, of necessity, had to decide what to reject and what to accept. He has no authority for stating, therefore, that the report represents any opinion but his own. The best materials, indeed, have been furnished by colleagues who would hesitate to accept his conclusions as a whole or even in part. It is for that reason that he alone can make himself responsible for its issue to the public, who are invited to judge its conclusions purely in the light of the facts and reasons upon which they are based."

THE PASSING OF WOODROW WILSON

ON November 2, by a convincing vote, the people of the United States repudiated Woodrow Wilson—his personality, his idealism, his administration, his conduct in and out of office, his Treaty of Versailles, and his League of Nations. The “great and solemn referendum” which he planned and promised has destroyed him. The prophet has been dishonoured by his own country. He has been swept by the tide of aversion down from the highest pinnacle ever momentarily attained by a statesman of modern times. The man whose pen splintered the swords of Prussia, the man before whose image the peasants of Italy burned candles, the man who gave form to the loftiest political ideal that ever captured the conscience of the world, is broken and beaten by the rods of his own people.

There is no need to dwell upon this personal tragedy. It is clear, it is complete—and it is as old as time.

It was roses, roses, all the way,
With myrtle mixed in my path like mad ;
The house-roofs seemed to heave and sway,
The church-spires flamed, such flags they had,
A year ago on this very day.

* * *

There's nobody on the house-tops now—
Just a palsied few at the windows set ;
For the best of the sight is, all allow,
At the Shambles' Gate—or, better yet,
By the very scaffold's foot, I trow.

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I go in the rain, and, more than needs,
A rope cuts both my wrists behind ;
And I think, by the feel, my forehead bleeds,
For they fling, whoever has a mind,
Stones at me for my year's misdeeds.

There is no need to dwell upon his faults. They have been well advertised. Woodrow Wilson's egotism, his mistakes of judgment, and his stern inflexibility have been mouthed and magnified by spell-binders during the campaign, to the joy of crowds who would seem to have lost even their sense of sportsmanship. They have nodded their heads with approval at the cathedral judgments of Elihu Root ; they have laughed to see a sick man flayed by the lashings of Henry Cabot Lodge, and they have secretly snickered over the personal abuse flung at his head by Corinne Roosevelt Robinson and George Harvey. It has been a famous Roman holiday.

Nor can any present purpose be served by anticipating the judgments of history. Woodrow Wilson has been an austere First Citizen, but no more austere than Washington. He has been an obstinate executive, but no more obstinate than Lincoln. Like them, he has been reviled. Like them, he has been charged with treason in office. Like them, he has been a supremely lonely man. But if we would know whether history regards these likenesses as superficial or fundamental, we must ask our children's children.

I.

THE guileless soul who believed that war would purge and peace would purify, still sits by the ashes of catastrophe, looking for the fabled Phoenix. To one whose wish fathered the thought that the United States would over-ride the experience of nature and achieve the moral leadership of the world by a gesture, the months of the

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past year have been filled with disappointment. He hoped that the obstinacy of the President and the fury of the Senate might result in a compromise. Instead it resulted in a deadlock. He hoped that the Republican Party might name a candidate worthy of their singular opportunity. Instead they nominated Harding. He looked to the Democratic Party to march through the door left wide open by the enemy; but they, in turn, with matchless perversity, made merry with the guileless soul, and nominated Cox. Little light on this hardest of all problems trickled through the summer months. So that the conscientious citizen, who regards the casting of his vote as a solemn privilege rather than a periodic nuisance, went to the polls on November 2 with the air of a convict forced to choose between the unpleasant alternatives of death by hanging and death by life imprisonment.

A dispassionate witness of the past campaign, relieved of the haunting obligation to choose between two second-rate candidates and two hollow platforms, must have found plenty of interest in the three months leading up to Election Day. According to the advertisement, the United States was the stage of an epic contest—lists drawn, issue joined, and the ultimate event. But any one whose sight was not blurred by the smoke which filtered round the ringside must have known that he was being badly hoaxed. For the pugilists never came within arm's length of one another; instead they remained at opposite sides of the ring, cavorting in approved style, but sparring with shadows.

There was an appropriate bluster about the business: Harding thumping his chest and condemning the Administration, root and branch; Cox thumping his chest and "boosting the League." But Cox made no reply to Harding's partisan attacks, and Harding evaded the League issue with all the grinning suavity of a clown dodging baseballs at a county fair. Naturally, it was Democratic strategy to throw the League up as a smoke-screen to confuse those voters who wished to make an intelligent

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assessment of the sins of the Administration ; while it was Republican policy to obscure the League issue by diverting attention to the shortcomings of Wilson and his group in office. Thus the mild-mannered Mr. Harding, in the interest of harmony within his own well-rifted ranks, avoided any rational discussion concerning the League of Nations, and merely slipped away from his front porch now and then to scuttle the ship of State or cut an official throat or two. Whereas Cox, in his strategic anxiety to carry the country into the League, completely ignored the charges of incompetence and misconduct levelled against the present Administration. In this spectacular exhibition of shadow-boxing the decision was won by Harding. The terms of the contest required a verdict, and it was given ; but the crowded house thought little of the performance, and wants its money back.

II.

THE Republican plan of campaign was simple in conception and comparatively easy of execution. Their candidate should wage war from a reclining chair on the front porch of his spacious home. Senator Harding was not temperamentally disposed to object to this comfortable arrangement, so on the front porch he remained through the heat of the summer and the heat of the campaign. Occasionally his rest was broken by the arrival of a delegation of the faithful, led by a brass band, clad in fantastic uniforms, and shining with Republican zeal. Whereupon the candidate would rise and read from a manuscript which fairly glittered with generalities ; he would close with a nineteenth century apostrophe to the Star-Spangled Banner—and then profound handshaking all around.

Behind this bucolic scene Harding's managers worked feverishly, collecting contributions to the campaign fund, organising states, counties and cities against Election Day,

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and delivering bitter attacks on Wilson, Wilsonism and the Democratic Party. They raised sufficient money for their needs, they covered the country with a net which captured every possible Republican supporter, and they worked their will against the President. They attacked him with truth, they attacked him with lies, they attacked him with abuse, and they attacked him with blasphemy. No part of this programme was required for victory. The Republican Party could have won this election with folded hands and an enigmatic smile. Everything that went beyond the truth—the indisputable truth—of the failings of the President and his appointees was the work of a group whose hatred for the President knows no bounds of expression ; and they took their fill of satisfaction. Thus Henry Cabot Lodge again and again repeated the falsehood that Wilson would accept no reservations ; Corinne Roosevelt Robinson, in the first proud year of woman suffrage, publicly characterised her President as a “ lone hermaphrodite ” ; and George Harvey, through the medium of his “ weekly,” published a cartoon so blasphemous as to call down the condemnation of the church upon his head. These three prominent members of the Republican Party doubtless took pride in the smartness of their speech ; therefore let history take record of it.

Such was the character of the Republican offensive. Yet for all its violence and for all its vituperative quality, it was second to the defensive task—the task of maintaining peace within the ranks of the party. Out of the Chicago Convention had come a colourless platform and a negative candidate. The problem of the Republican managers was simply this : to keep the platform meaningless and the candidate mute. The election could be won by mere mass. But beneath the outward show of solidarity there was a rift which threatened to gape and split the mass asunder. Hiram Johnson and Borah had not recanted, nor had the friends of the League forgotten their faith. How to keep these warring elements composed beneath the

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surface of the party was the only question that really mattered. Thus to the supporters of the League, on August 28, Senator Harding said :—

“ If the League has been so intertwined and interwoven with the peace of Europe that its good must be preserved in order to stabilise the peace of the Continent, then it can be amended or revised.”

And to the League's enemies he said on October 7 :—

“ I do not want to clarify these obligations. I want to turn my back on them. It is not interpretation, but rejection, that I am seeking.”

The Senator has been charged by his traditional enemies, and by those erstwhile friends who forsook him to vote for Cox, with evasion and double-dealing. These are harsh judgments, and they are unfair. They imply a moral obliquity that never should be imputed to a man who believes that “ harmony is God's first law.” There were moments during the last anxious days of the campaign when things began to look dark for God's first law ; there were times when it seemed as if a break might possibly come. But Senator Harding is no amateur at the great American game, and his manager, Will Hays, is the embodiment of political astuteness. Together they held the frayed strands together, and the victory of November 2 must be credited to their skill.

III.

HOMER CUMMINGS, then National Chairman of the Democratic Party, opened the San Francisco Convention in July with a fearless speech. He accepted the Republican challenge squarely on two points—the record of the Administration and the League. He claimed for his party credit for the successful conduct of the greatest enterprise in America's history—her contribution to the defeat of Germany. He dwelt upon the constructive

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legislation enacted under Democratic rule—the Federal Reserve Act, the Child Labor Law, the Seaman's Act, and the creation of a Federal Trade Commission. He defended the President's record with passionate loyalty, and he lifted the League issue out of the ruck of petty partisanship. Whereupon, for one reason or another, the retiring strings were pulled, and Homer Cummings disappeared from the political scene. His place was filled by a man of Cox's choosing.

For almost three critical months after this exchange of horses the Democratic Party floundered in mid-stream. They had no spirit, they had no organisation, they had no funds. They had nothing but a candidate with abundant physical energy. Unsupported and ill-advised, Governor Cox undertook a "whirlwind tour" of the West in an attempt to convince the electorate that vast sums of money had been accumulated for the purpose of putting the Republicans in the saddle. His trip was an utter failure; partly because he could not substantiate his wild assertions, but more especially because the majority of people whom he addressed were of the opinion that a change of administration would be a good thing, and were rather relieved to hear that funds were in hand to turn the trick. Silence upon the League, silence upon the achievements of the Democratic Party, and a great hullabaloo about "slush-funds"—these were high points in the "whirlwind tour." The liberal West expected from Cox a vivid forecast of his policy toward Labour, but he gave them a stone. Certain "wet" eastern states expected from Cox an intimation that he would lead them back to their liquor, but despatches from the coast destroyed the last glimmerings of hope for beer from Cox. From the standpoint of statesmanship, and from the lower level of political tactics, the "whirlwind tour" was replete with blunders. The Governor of Ohio might profitably have stayed at home and read Homer Cummings's speech.

It was not until October 7 that the sound Democratic

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offensive took shape ; and, oddly enough, it was Senator Harding who placed the weapons of attack in Cox's hands. For on that day, in Des Moines, Iowa—perhaps in response to pressure from the irreconcilable wing of his party—Harding for the tenth time took occasion to “ re-state ” his position on the Covenant of the League :—

“ I do not want to clarify these obligations, I want to turn my back on them. It is not interpretation, but rejection, that I am seeking.”

The Democratic Press was quick to seize upon this exceptionally clear indication, and paralleled it against Governor Cox's statement at Tulsa, Oklahoma, on October 1 :—

“ We will accept any reservation that helps to clarify. We will accept any reservation that helps to reassure. We will accept any reservation that helps to strengthen.”

For a moment it looked as though the League might actually become a campaign issue ; it looked as though a Republican victory would keep the country out, while a Democratic victory would take the country in. For perhaps a week there was a political flurry ; and during that week thousands of Harding's supporters moved over to Cox. But at this critical juncture in the fortunes of the party thirty-one prominent Republicans, led by Root, Taft and Hoover, came to the rescue of their chief. In a manifesto issued on October 14 they announced that they were satisfied by Senator Harding's speech of August 28, wherein he had promised to save “ all that was good from the League Covenant.” They made no mention of the famous Des Moines dictum, but laid stress upon every utterance of Harding which held out hope for the League. According to their conception of loyalty to the country's highest interests, they could not repudiate their candidate, nor would they strengthen the Democratic position by declaring open warfare on the irreconcilables within their own house. However, they did refuse to recognise the waywardness of Harding, and made the record clear for

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the fight to come. Thanks to this conciliatory document, the flood of defections was measurably stopped. Cox lacked power to drive home the difference between the hostile groups, and the outwardly placid front of the Republican Party was preserved for victory.

Almost within the shadow of the election booth certain Democrats, reverting to the tactics of half a century ago, tried to save the day by circulating scurrilous rumours about Harding's ancestry. They lost by an overwhelming majority; and, more important still, they lost thereby all the credit which they had gained through their comparatively clean conduct of a bitter campaign. It is impossible to estimate how many voters quitted the party because of this last despicable tactic, but it is safe to assume that many a man suddenly revised his opinion of the Democratic Party as the repository of all the moral substance in the United States.

IV.

WHAT Cox might have done as President, what manner of man he is, whom he might have selected as his advisers, what would have been the fate of the Treaty and the League under his direction—all these matters have passed into the realm of idle speculation. Of the unsuccessful candidate it is enough to say that he fought a losing fight with the vigour of Theodore Roosevelt, and that from small beginnings he grew measurably in stature from the day of his nomination until the day of his defeat. The next four years will see the Republican Party in power, a Republican majority in both branches of Congress, and Warren Gamaliel Harding in the White House.

Obviously Harding was elected because more voters in a substantial majority of states put a cross against his name than against the name of Governor Cox. Four

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years from now, according to the established ethics of party politics, Harding will be a candidate for re-election. It will be his chief effort, and that of the men about him, to see that the same substantial majority of voters again put their cross against his name. In 1924, as in 1920, the Republican Party can count upon a sizeable body of "regulars"—confirmed party men, who will vote the ticket regardless of candidate and regardless of platform. But Harding's re-election will rest on the knees of the independent voter, whose strength supported Wilson in 1916, and forsook Wilson in 1920. Therefore it is important to examine the motives which prompted the independent voter to support the Senator in this past election; for Harding's conduct in office will be guided by the human desire to retain this support. He will not be bound by his platform, for there is nothing in it to bind him. He will not be bound by his campaign pledges, for he asserts that he has made none. He will go into office with absolutely free hands.

On November 2 a majority of the people of the United States held one or more of the following beliefs strongly enough to throw their votes to the Republican candidate:—

1. That Woodrow Wilson needed a sound drubbing for his austerity, his obstinacy, his egotism, his lack of tact, and for his second-rate appointments to office.
2. That a "change of administration," merely for the sake of change, would benefit the country.
3. That the Democratic Party deserved to be turned out of office for eight years spent in wasting the nation's substance, raising the cost of living, increasing the tax rate, and encouraging restlessness among Labour.
4. That the Republican Party embraced better governing talent than the Democratic Party, and that Harding would make use of this talent to a reasonable degree.
5. That a Republican administration would deal firmly and in dignified fashion with labour questions, financial problems, and foreign affairs.

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6. That, with a Republican majority in both houses assured, the only way of securing harmonious action was by the election of a Republican President.

7. That Harding would exert his influence to keep the United States out of any association of nations whatsoever.

8. That Harding would take the lead in forming a new "association of nations" in which the sovereignty of the United States would not be impaired.

9. That Harding would accept the existing League with radical reservations with respect to Article X. and the Monroe Doctrine.

10. That Harding would urge ratification of the Treaty of Versailles in its entirety, with only such changes—perhaps the Lodge reservations—as might be needed to stamp it as an authentic Republican document, and not the doing of Woodrow Wilson.

Those who voted for Harding in 1920 in order to accomplish purely destructive ends have fulfilled their mission. A "sound drubbing" was administered to the President; a "change of administration" was effected; the Democratic Party will be ushered out of office, bag and baggage, on March 4, 1921, and the executive and legislative branches of the Government will be aligned under the same political colours. Harding has served the purpose of this group, and they have already become a floating body with destructive tendencies which four years from now may easily work the defeat of the man they helped to elect.

Other independent voters rallied around Harding because they believed that the Republican Party would approach the constructive tasks before the country with wisdom and ability. So far as domestic problems are concerned, the accomplishment of this hope—and the continued loyalty of these independent voters—rests upon the shoulders of Senator Harding and his appointees. Not a single intimation has been given to the public of the men whom Harding has in mind for office. Hopes run high, but it is a bad

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year for hopes. Therefore one can only inquire what part of the heaviest burden that has rested upon any President since Lincoln can be successfully carried by this newcomer from the Middle West.

No glowing promises have been held out by Harding himself. Indeed, he has more than once proclaimed his unfitness for the chief office in the land. Nor have his friends embarrassed him with rosy predictions. He is a modest, unassuming gentleman, they say. "Just folks." Nor has his legislative record been that of a constructive statesman. During his five years' tenure of office in the Senate he has stood sponsor for 134 Bills, of which but twelve were of a public nature. Of these twelve the ten most important bear the following titles :—

- To encourage the teaching of Spanish in the United States.
- To provide a memorial for persons who lost their lives in the war.
- To provide for a celebration of the Pilgrim Tercentenary.
- To authorise the loaning of tents to relieve the shortage of houses.
- To investigate influenza.
- To pay draft board clerks.
- To change the law as to fur-bearing animals in Alaska.
- To appoint an American Battlefield Commission.
- To amend the McKinley Memorial Birthplace Association Act.
- To grant discarded rifles to the Sons of Veterans Reserve.

Nor have his speeches during the campaign shown either the slightest apprehension of the nature and extent of the problems which stare the country in the face or the thinnest clue to their solution. In the course of his last campaign speech the Senator embraced all the economic worries of his people in a motherly paragraph :—

"We want to effect the industrial restoration of America. We want to stabilise America's finances. We want a free, righteous American business. We want to put an end to extravagance and theories. We want to make America normal and dependable again. These are the essentials to the continued progress of the American Republic."

Doubtless they are : but after this utterance the appoint-

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ments of the newly elected President have suddenly become a matter for prayer.

The tasks of reconstruction before the United States are different in character from those which confront the states of Europe. Nevertheless, they are of monumental magnitude. The shipping future of the country is still unsolved, and American trade hangs in the balance. Government ownership of railroads and mines is a possibility which cannot be obscured by the fact that, for the moment, these public utilities are in private hands. Labour is disgruntled, and growingly confident that it can get what it asks. Prices still float around artificial levels, in spite of drastic reductions in certain commodities. There is a sullenness in the air that is ominous. It is not the contention of the writer that the Democratic Party would have been better fitted to meet these matters than the Republicans. It is his affair merely to estimate what is likely to occur under the ministrations of Senator Harding.

The Senator is a man fifty-five years old, of mediocre ability, of limited vision, of no experience in large affairs, and of a reactionary turn of mind. He has apparently no grasp whatever of economic problems. He has shown no social sense except of a paternalistic kind. He has given no indication that he understands the infinite complexity of foreign affairs, or that he has any knowledge of the obscure sources of war. He is a kindly dignified gentleman "with a faculty of bringing men together." All the conservative influences in the country are put on horseback by his election, and he himself would have it so. He frankly admits that he has found in the life of William McKinley a model for his own political career. The Republican machine, still under the influence of McKinley and Mark Hanna, maintains its alliance with Wall Street and "big business." It is powerful, inflexible, and out of date. Whether it can conform to new methods of dealing with social problems remains to be seen; but if it stays rigid it will be split asunder.

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Senator Harding can meet his task only through the mediation of many and wise advisers. If he is courageous, he will surround himself with the fine talent which is the boast of the Republican Party. In that direction lies the only hope for the country—and the only hope for Harding in 1924. If the politician will turn statesman in the matter of his appointments, he will be not only courageous but wise, for by this statesmanlike gesture the politician can make his re-election sure.

V.

THERE can be no discounting the masterly way in which Senator Harding, under guidance, held his party together through anxious days. He proved his ability as a politician, and on this score justified his selection as the Republican candidate. In a burst of confidence at Columbus, Ohio, he said: "I will let you into a secret, my countrymen. So far as I know, I was selected because of a belief among the generality of my party that I had a faculty for bringing men together." It does not matter much whether this belief was held by the little group in Colonel Harvey's room at the Blackstone Hotel who arranged his nomination or by the generality of his party who later accepted him. The fact remains that the belief was substantiated during the campaign. Any one who can persuade Hiram Johnson and Herbert Hoover to share the same bed possesses "a faculty for bringing men together." On Election Day, by the exercise of this valuable gift, he succeeded in bringing together in his support men who believed in *the* League, men who believed in *a* League, and men who believed in no League at all. This motley association of opposites was made possible by Harding's skilful refusal to take a definite stand on the League issue. The annihilation of Wilson and Wilsonism became the objective: and in this high enterprise men who held con-

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flicting views on the League were glad to sink their differences.

Nevertheless, the League issue will not be downed, and war is in the air. It is a war from which Harding shrinks, partly because, whatever its outcome, he will lose numerous supporters, but more especially because he abhors a political quarrel as Wilson abhorred the thought of blood. The *New York Times* tells it all in a brief vignette from St. Louis :

"I will never submit the Covenant before the United States Senate with Article X. in it. Article X. is the heart of the League. Yes, the steel heart of the League." The crowd jumped to its feet cheering, but when quiet was restored a volley of questions came from the galleries. "Let's be homey," the Senator said.

Unfortunately for the Senator's peace of mind, there is one man in the United States who is congenitally incapable of being "homey." During the campaign Hiram Johnson kept his own counsel, contenting himself with a periodic restatement of his position or with an occasional mild effort to bring Senator Harding into line with it. But to his friends he has intimated that, with the Election a thing of the past, he will "turn Indian." In this feud he knows that he can count upon the staunch support of the irreconcilable group of senators who brought about the defeat of the Treaty last March. On the other hand, thirty-one men prominent in the Republican Party have taken their stand for the League. They have publicly gone on record in its favour. And a vast body of voters who believe in the League have assigned their faith to the Thirty-One. Whatever may be the personal disinclinations of these men to wage war with Johnson and his "gang," they cannot betray their trust. Between two hostile divisions, who are even now preparing for action, stands Senator Harding, caught in No-Man's Land. It is hard to be "homey."

Here, at last, within the lines of the Republican Party, the League issue will be fought out. Even before the polls

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were opened on Election Day, Republican leaders, with the immediate victory in hand, were aligning themselves for the fresh struggle. In order to forestall the expected statement from the Johnson group that a Republican victory meant the death of the League, ex-President Taft said, on October 30 :—

It is unfair for Mr. Cox to seek to avoid the issues presented by a review of the Wilson Administration by pushing the League issue to the front, as if it were to be decided in this campaign. He is thus furnishing a plausible but unjust ground to the enemies of any league at all for claiming that the great Republican victory which is to be registered on Tuesday next will be a condemnation of the League, with or without reservations, when, in fact, it will be nothing of the sort.

The Republican victory means a disapproval of the Wilson Administration and a desire to transfer power to the Republican Party—that is all it means.

On the same evening Governor Coolidge, the Republican candidate for Vice-President, said :—

The great issue in this campaign is the record of the present Administration. During its term of office it can point to the achievement by the nation of one great work—the winning of the war. But that has been done. The nation must now turn to something else. For reconstruction at home, for powerful and friendly relations abroad, it offers no promise.

And on the following morning the New York *Tribune*, a staunch Republican paper, carried an editorial, of which the following is a part :

There is no need of rehearsing extravagant arguments put forward in an effort to prove that the only way to get a League of Nations was to vote for James M. Cox. The whole record of the Republican Party for a generation, the opinions of all its great leaders of to-day, are for a league. So is its platform. So are its candidates for President and Vice-President. The final structure may have the Wilson League as a foundation, or it may not. But that it will be built and be built with the entire wisdom and will of the American people assisting, is not open to question by any one not afraid of his shadow. So vanishes one more election bogey into the dusk of memory.

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For those who hope for America's participation in the League, the *Tribune* editorial is the late but comforting announcement of a truth which has been obvious from the outset to anyone who has followed the progress of the campaign. If any aspect of the issue emerged through the *miasma* of the past four months, it is the old story of the irreconcilable President and the irreconcilable senators. Harding has never committed himself to Johnson's attitude; but there is a growing feeling throughout the country that he shares Johnson's views. Cox probably does not share Wilson's opinion with regard to reservations; but there is a common belief that the President kept him firmly in hand during the campaign. If there was any contest on the League it was between these two extreme wings of the country's opinion, working under new and nominal leaders. In such a contest the people of the United States have lost all interest. They have completely passed into an attitude of compromise.

The principle of the League of Nations still holds a fast grip on the majority of Americans. That majority will range itself behind whatever leadership may be offered them by the distinguished Thirty-One. Without that leadership, the voice of the majority will not be heard, and the League will die the death laid out for it by Hiram Johnson and his clan.

VI.

NOVEMBER 2, 1920, marked the passing of Woodrow Wilson from the active political life of the United States. On March 4 of next year he will leave the White House, and all the mystery and moment with which he has hedged it about will disappear. Its gates will stand open again; and speculators are already buying property in Washington in the belief that the City of Magnificent Distances will once more become the social centre of

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America under the courtly and benevolent direction of President Harding and his wife.

"Government is a very simple thing, after all," Harding has said. But on the day when the Senator becomes President, above the tumult and the shouting on Capitol Hill, a small, unattended group will leave the White House. In their midst will be carried a man with snow-white hair, bowed back, distorted features and emaciated frame—a man with body broken and heart broken in the service of a great ideal—a man who knows that Government is not a simple thing after all.

America. November 3, 1920.

EGYPT A NATION

WE hope we are within sight of a settlement of the much vexed Egyptian Question. Agreement on major points has been arrived at between the Milner Commission and Saad Pasha Zaghlul's Delegation, but the terms of that agreement, as published in the *Times* of November 6, have yet to be submitted to an Egyptian National Assembly, and discussed further by our own Cabinet. What these two bodies may severally and jointly agree to will have to be embodied in a substantive treaty to be submitted again for consideration and ratification by the legislatures of both parties. The matter is, therefore, still in an inchoate and probably delicate stage.

The story of Great Britain and Egypt is a long one, containing chapters for which we are open to criticism among more that are creditable to us. Old men still live who can just remember a time when Egypt was not regarded as involving vital British interests at all. Though Napoleon disturbed the eighteenth century indifference, which had seen nothing in Egypt but a Levantine dead-end of less commercial and political importance than Aleppo, the failure of his purpose then (whatever it may really have been) kept the British public from taking any more serious interest in that country after he left it than before he landed. During the next forty years the rivalry of Powers in the Levant was influenced by desire to control the Mediterranean and Constantinople rather than Egypt. Though the overland route to India had been opened,

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Great Britain was content to treat Mehemet Ali as little better than negligible even so late as 1840, and to leave him to make what he could out of his one friend, France. Kinglake's prophecy in 1844 that "the Englishman, straining far over to hold his loved India, will plant a firm foot on the banks of the Nile," was without honour then in his own country. It was not till the late fifties that, with the development of a serious French project for cutting the Suez isthmus, Egypt became prominent in British politics. It is well known how we threw cold water on that project, hoping to avoid, or at least postpone, the creation of a new question affecting the life of our Empire; but how, nevertheless, the project was carried through. Even when the canal was an accomplished fact, its importance was constantly depreciated in England; and men not so very old to-day may recall the incredulous surprise with which Disraeli's action in buying up the Khedive's interest in the new waterway was generally received by Britons. Awakened only a little earlier himself, he had to call his nation out of sleep.

Though roused at that time, we were very far from taking—throughout the negotiations and activities which led first to the establishment of the Anglo-French Condominium in 1879, on the removal of Ismail, and finally to British occupation in 1882—the view of the importance of Egypt which has obtained later. Public opinion was slow to recognise in that country the key position of the Near and Middle East—this was still found at Constantinople—and slower to foresee it as the ganglion of our Empire in the Old World, and a principal supplier of raw material for our industry. The importance of the Suez Canal as a link in a peace route to the Indies, and of Egypt as its warden, was acknowledged; but it was held improbable that, in time of war, a passage, which could be closed by the scuttling of a single dredger, would matter much to one side or the other. We occupied in 1882 primarily in the interest of bondholders, whose investments in Egypt had

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been the motive cause of our gradually increasing concern with it since 1860 ; and our purpose, both avowed and unavowed, was limited to restoring such a measure of peace and order as would enable the Egyptians to meet their foreign obligations. It should be observed that there was then no idea of our occupation leading to Egyptian self-government, or of our representatives in the country educating its people towards this end. Though Gladstone had stirred much anti-Turk feeling in Great Britain, and we had undertaken, in the Berlin Treaty, a leading part in the tutelage of Turkey, the "Peace with Honour" settlement had appeased general bitterness, and the public returned to its old fear of Russia and its traditional support of the Sultan. Even under a Gladstonian Ministry Egypt was occupied with no more intention of flouting Turkey than flouting France ; and the Egyptians, who were well aware of the trend of our European policy and of the constitutional reluctance of our Prime Minister to encourage imperial expansion, believed our promise to withdraw from an emergency occupation to be as sincere as in fact it was.

Two or three years passed in the not difficult task of restoring order to a people whose passions had not been deeply stirred, and in the more arduous one of readjusting its fiscal condition. Then, all unexpected, the Sudanese provinces blazed up on the defeat of Hicks's unhappy punitive expedition. With Egyptian soldiers, officials, and merchants cut off, there could be no question of evacuation till the rebellious provinces were re-knit to the Khedivate. So opportune did this rising seem to some, who imputed to us ulterior designs upon Egypt, that, while admitting it constituted sufficient cause for our occupation being prolonged, they declared we had fomented it ! There may still be some in France and elsewhere who believe that the Mahdi and the Khalifa were paid agents of ours, and the tragedy of Gordon was callously contrived in Downing Street. Needless to say we had

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blundered into the Sudan trouble as imperial nations dealing with peoples they have not yet learned to know have often blundered before and since. Having begun badly, we went on worse, and the result was a critical situation on all borders of Upper Egypt, which would not be relieved for more than a dozen years. In that lapse of time our relation to the Egyptians gradually changed its character, and so, also, did our relations to the foreign Powers chiefly concerned; and though, in 1887, we renewed to the Sultan our pledge to withdraw, its fulfilment appeared to our eyes a very different proposition, when, by the end of the century, the Sudanese question came to be solved. To take first the two chiefly interested foreign Powers, Turkey and France. It is well known that in the 'eighties, as promised reforms failed to be realised in the Ottoman Empire and Abdul Hamid developed his Asian pan-Islamic policy, the British public and its political leaders manifested increasing disfavour towards Turkey. It was not only Gladstone, the coiner of the "Great Assassin" epithet, but Salisbury, who would declare that we had "backed the wrong horse." By the nineties the "Unspeakable Turk" was a by-word, and it only needed the Armenian Atrocities of 1894-95 to confirm in British minds the principle that, wherever the foot of a Turk had been withdrawn, he should never be suffered to plant it again. We had got him out of Egypt, and refused to let him return, when he proposed himself to deal with the Mahdist trouble. Inconceivable, therefore, now to hand back Egypt!

As for France, the 'nineties were the "Pin-prick" period—a time of ever-growing mutual irritation whose cause was Egypt itself. France showed resentment at our continued occupation of a Levantine Coast where her influence had once been paramount, not only by repeated criticism of our intentions and our action, but by enjoining on her representatives in the country an attitude which was all but inconsistent with international comity of any

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kind. The British public replied with equal resentment at what it considered an unreasonable refusal to recognise the impossibility of withdrawal, and an ungenerous failure to acknowledge the great work we were doing for the Egyptian people. It hardly needed the Fashoda incident of 1899 to make John Bull vow he would not be hustled out of Egypt whatever he might have said, or anyone else might say. He himself had been growing of late more imperially minded. The interval between Queen Victoria's Jubilee in 1887 and the outbreak of the Boer War in 1899 was marked by an access of that spirit. We talked of "splendid isolation," and of letting all who would, "come on." A desire for closer relations with the Dominions, and first suspicions of sedition in India, impelled us to strengthen our grip on communications by sea. We took to thinking twice, then thrice, about evacuating the banks of the Suez Canal—then to refusing to think about it at all.

In Egypt itself that happened during this lapse of twelve years which always happens when the control of an undeveloped country by a people of high organising capacity is prolonged. We had found ourselves, on entry, committed to a *politique de replâtrage*. A land all but bankrupt, without any decent irrigation system, whose ineffective services, military and civil, were wholly unable to deal with domestic chaos, let alone the mess in the Sudan—this land had to be shored and patched at every point to prevent complete collapse. The best of our race were called to the work. It grew under their hands, and every day our administrators learned how much more might be done. Insensibly, a complicated European system of government came into being. Egyptians showed themselves quick and apt pupils under the orders of British chiefs, though not fit to direct the machinery. One day they might be fit; and was it not our duty to stay till the best of possible governments could be resigned to native hands? From about 1885 onwards, in reports from Egypt and in

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public and private utterances at home, one notes the idea of our occupation as a mere means for restoring order beginning to pass into an idea that we were there to develop the country and its people towards self-government on British lines.

Fired with the ideal of making—in Ismail's phrase—a piece of Africa into a piece of Europe, the first generation of our administrators laid out large plans and dug foundations wide and deep. Measures for attaining the very best began to be mooted, which presupposed large expenditure over long periods, and such political stability as only an established system of European government could guarantee. Such a measure, for example, was the damming of the Nile. It was not then held axiomatic that, if a western occupation of an eastern land is ever to be brought naturally and easily to a close, not the absolutely best possible system of administration should be aimed at, but the best which Orientals have the capacity to handle by themselves. Still less was it held that second-rate government by natives is better for any land in the long run than first-rate government by aliens—for the simple reason that with the former alone will the people ever identify itself. Having no such views as these, being without ulterior imperialist designs and only concerned to do what was to their hand in the best possible way, our administrators went ahead with the Europeanisation of Egypt.

They were to meet discouragement before they had gone very far. Egyptian Ministers in blinkers and civil servants in leading strings not only failed to train on according to plan, but grew increasingly fractious. To be sure, the old governing caste—the so-called Pasha class—had not shown a better than non-committal attitude towards the British occupation at any period since about 1884. Now, after the death of the Khedive Tewfik and the accession of Abbas Hilmi in 1892, their spirit developed positive obstruction and nascent nationalism. While the masses—*fellahin*, small

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effendis, traders and the like—felt no discontent, and were still openly grateful for the security of life and property, the ready access to justice, the reduced taxation, the better assurance of water, and the amelioration of military service, which had followed our advent, the leaders of the people seasoned appreciation with reminders of our promises. They had enjoyed self-government under their own prince before we came, and could govern themselves better now—as well, in fact, as they wished to be governed. Having learned a little, they believed, with the Oriental's habitual pride of pure intelligence, that they had less to learn. They wanted all the spoils of place for themselves; and, being men of the Hot Belt, did not wish to live longer than they could help in a western atmosphere of little leisure, rigid system, exacting punctuality and unremitting call on energies of body and mind. What, then, were we going to do about it?

Their questions struck Britons, who had laboured long in exile to make the administrative machine work, and felt in honour bound to perfect it, as unreasonable and unfair. How could they leave their life's work at this stage? How, indeed, at any stage short of completion? Few asked themselves whether the consummation of such efforts as theirs could ever be left to Egyptians to handle, and none but Lord Cromer—and not he till 1907, when he had left Egypt—formulated the conclusion that self-government by Egyptians, as we understand government, was inconceivable. But once this had been said, it was felt to be the expression of the idea on which really we had been acting in Egypt for years. With Turkey no longer to be taken into account, and France squared by the African Agreement of 1904, we had already passed half-consciously from an ideal of educating Egypt in self-government to an ideal of developing the country to its highest economic capacity, and ourselves maintaining it at that point for its own good and the peace of the world.

There had been already enough evidence, however, that,

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whatever the change in our own minds, such change as had taken place in the mind of the Egyptian was leading him on quite another path. The native press agitation in the early years of the present century, and the formation of Mustapha Kamel's Nationalist Party were only less significant than an outburst of sympathy with Ottoman claims, which followed the "Tabah Incident" of 1906. Clearly a new generation had arisen which knew not the Turk of old time. On the top of this fell the unhappy Denshawai incident. To meet an acute situation Sir Eldon Gorst was instructed to institute devolution of administrative control to native hands, and, at the same time, to assure the Egyptians that the British occupation should never be developed into a Protectorate. By implication that occupation was to be prolonged *sine die*. Devolution was begun straight away. We showed ourselves as good as our word at no small cost of disappointment, discontent, and discouragement of our own officials.

But whatever compensation we had hoped from better relations with the Egyptians and from discredit of the Nationalist Party, which lost its leader, Mustapha Kamel, in 1908, was virtually frustrated by an impulse given to renewed agitation by events of that year and the next in Constantinople. However correctly the Young Turks discouraged Egyptian Nationalists, the spectacle of apparent freedom in Turkey could not but encourage fresh efforts towards freedom in Egypt : and the Khedive, in particular, recognised an object lesson in the expediency of even an eastern monarch identifying himself with the aspirations of his people. For an outward and visible sign that Egyptian Nationalism had not died with Mustapha Kamel, the anti-Nationalist Copt, Boutros Pasha, who had assumed the titular leadership of the Government in 1908, was sacrificed in 1910 ; and the public openly sympathised with his assassin.

A year later Lord Kitchener came to Egypt. Concession had failed, and devolution had proved not worth the

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troubles it involved. A firm, though not unkindly, hand was laid on a Khedive who would be King, and on the Egyptians who would be a Nation. The Cairo Residency became manifestly what it had long been unobtrusively, the real centre of control: and in an atmosphere of benevolent autocracy the last memories of our pledge of thirty years before, and our successive ideals of the 'eighties and 'nineties, withered and died. Losing its idealism, our administration, it must be confessed, lost also some—it is a moot point how much—of its efficiency. The Egyptian *Intelligenza* had been saying for some time back that the British officials were not the men of Cromer's day. The criticism was not unfounded. Our administrators were perhaps not less able, and no less public-spirited than of old: but undoubtedly they had less heart in their work and less sympathy with the people. It is one thing to make an administration, another to carry on what others have made: one thing to be the earthly providence, the one arbiter of a willing people, another to play second fiddle to a Pasha, and read daily in the native Press that the country would get on better without you. What had been a field for apostolic devotion became one for an administrative career. The Egyptian people noted the change, and, while retaining unbounded respect for the Great Pasha at the Residency, looked on his subordinates as dominions to be hoodwinked and evaded. Corruption, though, of course, it never extended to the British officials, was nearly as popular as in the bad old days, and the machine of Government ran with all the oilier smoothness for not doing full work.

At the outbreak of war in 1914 there was a great peace in Egypt, but peace under pressure. Below the surface a nation had been born by the only process which brings nations to first birth, that is by the general diffusion of a common idea of nationality among a people. The idea was at best dimly understood, more often adopted without understanding; but it was there. The mood of the

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country was such that the least lightening of pressure would be followed by ebullition ; and in the embarrassing months of that autumn our representatives in Egypt had ample reason to know that the temper of the people, among whom they had to keep up appearances, was highly unstable. At the end of October the Ottoman Power joined our enemies. Paradoxical as it may appear, our situation in Egypt improved at once, and from that moment till July four years later relations with the Egyptians were always outwardly better than they had been during the opening months of the war. There were various causes contributing to this apparent improvement : a succession of high Niles ; immense opportunities for making money out of our armies which suddenly presented themselves ; the unconscious respect which an Eastern people pays to a great pageant of military force. But the root cause was the happy conviction of all Nationalists that, with Turkey committed to the Central European Powers, the war must come to Egypt and liberate it without they themselves having to bear the brunt of the battle. In the interval, they could unbend the bow, conciliate the power that was but would cease so soon to be, and spoil it for all it was worth. For two years and a half nothing ruffled this equanimity—not the Protectorate which we announced provisionally, promising reconsideration after peace ; for what would either announcement or promise matter when Turks and Germans came over the Canal ? Not even the repulse of Jemal's two expeditions and the defeat of the Senussi ; far greater things would come. The Central Powers were going from strength to strength, and Kut trod hard on Gallipoli.

A first sign of despondency was observed in Egypt on the capture of Baghdad ; but Murray's failures before Gaza redressed the balance of fate. The second sign followed Allenby's capture of Jerusalem ; but the great German thrust in the following March revived Egyptian spirits. When, however, as summer wore on, it grew clear that the

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Central Powers had shot their bolt and ultimate victory would not be with them, the Nationalists woke in earnest. The reorganisation of their forces dates from July, 1918, and our terrific victories in the Eastern theatres of war, during the following autumn, only stiffened their backs. Mutual relations became again as tense as in 1914. For the first time since that date the Protectorate was taken seriously; for the first time we were reminded of our promises and asked what we proposed to do; for the first time, publicly, armed revolt was preached, and Abbas Hilmi called to return and deliver his throne. Given the intention to excite revolt, leaders could find recent popular griefs on which to work. There were both general soreness about the long use of the country under martial law as a base for operations against Moslem liberators and general disappointment at their failure. In the warlike atmosphere of the last four years Egypt had come to be treated as a subject land, and the foreign force as a whole, and some of its overseas elements in particular, knowing nothing about fine distinctions between Occupation, Protectorate, or Imperial Possession, had not been considerate of native feeling. There was discontent about the original recruitment of *fellahin* for the Labour Corps, their long service in a colder, wetter climate, and some injustices they had suffered here and there at the hands of Levantine gangsters; but, in fact, less than has been alleged, for this service proved profitable and was cheerfully performed by the majority. There was some resentment, too, at an impolitic collection for the Red Cross; but this affected comparatively few. None of these griefs, nor all together, would have been sufficient to provoke an outbreak. They only added heat to a fire which had long been burning but banked down.

The explosion in March, 1919, touched off prematurely by hotheads before demobilisation had begun to affect our military strength, lighted a conflagration which was got under with comparative ease. But its moral effect was

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much greater than its material. The width of its range, the hardihood with which fighters for independence confronted hopeless odds, the bitter temper displayed in the unpleasant and sometimes ghastly incidents of the revolt, conveyed an unmistakable lesson. The reality and the deep and wide penetration of Egyptian Nationalism could no longer be denied ; nor could its heartfelt repudiation of our tutelage. The amicable relation in which, whether under the influence of an educative ideal or during our paternal autocracy, we had believed ourselves to stand with the bulk of Egyptians, was demonstrated an illusion. Those among our officials in the country who had retained philanthropic ideals knew that the foundations of their faith were gone. What we had thought we held by consent, we knew we kept by force. Now and for the future, if we proposed to maintain our Protectorate, we were faced with the inevitable necessity of holding Egypt down, and that at a moment when all the world knew we had lately championed the rights of small nations, and the claims of self-determination, and had subscribed to a clause in the first draft of the League of Nations Covenant, which accepted among the peoples recently liberated from the Ottoman yoke some so far advanced in social development as to be fit for provisional recognition as independent nations. Which of these peoples had advanced so far as the Egyptian ?

Between giving some real effect to that clause, or maintaining, in defiance of it, a Protectorate by military force lay our choice of purpose. The first of these ways prevailed with Lord Milner and his Commission landed in Egypt proposing to inquire how far it might be possible for responsible self-government to be established without the country becoming, through its singular geographical situation, a danger to the unity of our Empire. The guiding principle was that, while we might be quite willing to leave Egypt to the Egyptians, provided we retained control of our Imperial communications, we should not be willing to leave it open to anyone else than the Egyptians. It is the

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fruit of those inquiries and of subsequent discussion in London that is set forth in the *Times* of the 6th November.

The terms upon which it is proposed that we should enter into Treaty relations with Egypt have been set forth so recently that we will not recapitulate them, but confine ourselves to remarks on their spirit and their salient points. The spirit is generous on both sides. The Egyptian Delegation has shown very frank recognition not only of the imperial necessities of Great Britain, but also of the claim she has established, by forty years of work for Egypt, to be the latter's predominant friend in the future and undertake all such guidance as may still be necessary. The British Commission, for its part, has proposed a policy very much more liberal than any imperial people has ever shown towards a dependency, except under a degree of stress which has not nearly been attained in this case. If the eventual Treaty is concluded on anything like the lines of this Agreement, and if each of the parties to it plays his part as he should, it may well be said of Great Britain that nothing in all the long and creditable story of her occupation of Egypt has become her like the ending of it.

The preamble provides for the independence of Egypt, and a later clause states that it is to be a Constitutional Monarchy with representative institutions, secured by Treaty with Great Britain. There is a subsequent stipulation that Egypt is to enjoy the right to representation abroad, which she will undertake not to exercise except in strict conformity with the interests and the policy of Great Britain. Such independence cannot but entail the entire devolution of all internal administration to native hands, and this is certainly implied in all the text of the Agreement, which provides for the framing by the Egyptian Constituent Assembly of an organic statute to regulate the future government.

We approve, and have always approved, the institution of responsible self-government in every country which has arrived at a common national consciousness and developed

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common patriotic spirit in a sufficient number of its citizens possessing such education and experience as qualify them to assume its administration. It is the opinion of the Commission that the position is such as to justify the establishment of responsible government in Egypt; and we would welcome a generous measure; but at the same time it remains to be seen whether an electorate competent to form the basis of genuine responsible government can be developed. Mandarin government will not endure. We cannot, moreover, blind ourselves to the probability that, for some time to come, at any rate, its internal government will be distinctly less efficient than it has been, even allowing for the considerable defects of the latter years of our own control. It may also be distinctly less favourable to the poorer classes, especially to the Christians. Both Moslem and Coptic *fellahin*, who have long memories, are beginning to show some apprehension already; and, of course, it will not absolve our responsibility for the condition to which our action now may resign them, that they have done a good deal during the past two years to bring their fate on themselves. But we hold by the principle already stated that second-rate government by natives is better in the long run for any people than first-rate government by aliens; and though we should prefer a more gradual devolution of administration to native hands, we confess that, if our historical survey of Great Britain's relations to the Egyptians conveys any lesson, it warns us not to expect their implicit confidence now, if we proposed to defer our withdrawal and postpone the full realisation of what we now state to be our policy in regard to the ultimate *status* of Egypt. An independent constitutional monarchy, over whose local government foreign officials, not responsible to it, exercised any measure of control, would not differ essentially from a foreign protectorate. Things seem to have gone too far both in Egypt and in London for it to be for us either fair to propose or reasonable to expect the other party to accept a

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transitional stage, if a Treaty is to be concluded on a basis of independence at all. We do not suppose for a moment that the *fellahin* will ever again suffer anything like what they suffered before 1882. They have become much more substantial and also much more understanding people; they know now that they have natural rights, and have more than an inkling of the way to get these respected. The old Pasha class, which used to oppress them, is no more; and, although a native aristocracy of wealth—often inordinate wealth—has come into being, general education, foreign experience, international relations and competition have come into the country also, and will go far to check serious abuses of the local power which the rich will exercise. If we leave Egyptian society now to work out its own salvation, we may hope that the process will not prove too long or too hard.

If, however, unfettered internal control seems to us an essential to the realisation of the fundamental idea in the preamble of the proposed Agreement, we are not convinced of the necessity—still less the expediency—of the stipulation that Egypt shall enjoy the right to deal directly with foreign countries other than our own. She could enjoy sovereign independence without the right to control her own foreign policy and appoint diplomatic representatives to foreign countries. This right has not been, and is not, considered an indispensable condition of sovereignty. Witness Afghanistan, whose sovereign independence no one questions, although it is debarred by treaty from approaching foreign powers except through the mediation of the Government of India. If this right is conceded to Egypt, while at the same time the British Government is empowered to veto its exercise, it appears to us a certain storm breeder. Obviously, it will be not only Egyptian interests which such exercise of our veto will affect, but those of the other party—this or that European Power—to each abortive Treaty. So serious would the situation probably be on occasion that, inevitably, our veto would

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often, perhaps in the end almost always, have to be withdrawn, leaving us in a peculiarly ignominious position after exciting bad blood all round. Alternatively, it may be Egypt who will be humiliated by this or that Power ignoring her representative and going over his head to the holder of the ultimate discretion. It is the very check we seek to impose on this Egyptian right which makes it so pregnant of inconvenience, to use no stronger word. But, with or without that check, it spells trouble. We may not wish to occupy Egypt any more than Afghanistan ; but (we say it again) we want no one else to occupy it ; and what readier channel for possible invitation to foreign Powers by malcontent parties in Egypt could be provided than its direct representatives abroad ?

Various provisions, of which we entirely approve, are proposed for the safeguarding of legitimate foreign interests, which either exist or will come into existence, in Egypt ; and the (presumably) British officials who are to look after the administration of the laws in regard to these, including financial obligations to foreign countries, would not sensibly derogate from local sovereignty even if they were not (as it is proposed they shall be) actually appointed by Egypt herself, and therefore responsible primarily to her Government. The capitulations as such are to be abolished so soon as the necessary consents have been obtained. We hold no brief for them. They are a survival of the Middle Ages and have no adequate justification in a country which does not live under Moslem religious law. They discredit government wherever they are in force, and deprive it of legitimate resources ; and if they have protected foreign nationals from much injustice, more perhaps—especially in Egypt—has been done under their wing. Let them go—a good riddance ! But since, beside their negative effects, they did secure positive guarantees of social order and advantages to the economic development of the countries in which they existed, we note with satisfaction that some sort of reduced composition of their powers is to replace

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the several treaties, and be committed to the single control and exercise of Great Britain.

The provision for the safeguarding of our own Imperial Communications is stated in very general terms, and apparently admits of our holding strategic points beside those in a Canal zone. If the principle is secured, and Egypt recognises frankly that these garrisons in no way derogate from her independence, the details should easily be arranged.

We are not blind to other inconveniences, even dangers, to which we shall expose ourselves by taking the great step of converting Egypt from a protected Dependency into an independent Ally. The most obvious of these is that our action will be quoted to justify demands by other dependencies to be treated as equally favoured nations. We are unlikely to escape such demands; but we can always reply that Egypt supplies no valid precedent to any other land under our rule. There we have to deal with one nation, which has a common language and racial character, one tradition, and one hope, and, except for a small minority, one faith. We have never exercised sovereignty over it, nor even been technically responsible for its government. It has been autonomous by recognised right for the best part of a century, and without recognised right for an even longer period. Till lately part of another Empire, Egypt has vested in herself various foreign interests, of which our own are only the chief. Which of our imperial possessions can plead that it satisfies all, or any two of these conditions? Certainly not India, which has a population twenty times as great, divided into as many races, languages and religions as Europe. Still less could any other part of our Empire outside the Dominions. Such an answer may not satisfy nationalists elsewhere, but it is a sufficient one. In any case we do not hesitate to take the risk of having to make it.

In conclusion, we accept the general spirit of the proposals, and we recognise that, though neither the Commis-

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sion nor the Egyptian Delegation is plenipotentiary—there is already talk in the Press of reservations by the Delegation—we are, generally speaking, committed to going through with the proposals of a commission presided over by Lord Milner. At the same time, this is only the first stage, and it is of no use to slur over the real difficulties. That would simply result in their coming up again in an aggravated form later on. For we are now entering upon the second and more difficult stage of applying abstract principles in a practical agreement. Behind all the phraseology of which the summary in the *Times* was composed, the main principle of settlement is clear. Egypt is to be allowed by Great Britain to run her own government practically without interference. If complications with foreign powers, however, should compel intervention, the intervening Power must be Great Britain and no one else, and the alliance must be such as to make this perfectly clear.

The spirit of the Milner memorandum, however, is such that there should be no difficulty in arriving at an agreement which would work well and benefit both parties. But if reactionaries in Great Britain or extremists in Egypt are sufficiently unreasonable to stand out on practical points as if they were matters of high principle, the negotiations are bound to break down. It is idle to blind ourselves to the fact that there are many such points, and that they involve questions of the utmost difficulty which have still to be settled.

THE INTERNATIONAL FINANCIAL CONFERENCE AT BRUSSELS AND ITS LESSONS

AT the end of this article will be found the main resolutions * passed—and unanimously passed—by the recent International Financial Conference at Brussels which was summoned by the League of Nations, as well as an address on Public Finance made to the Conference by Mr. Brand, one of the Vice-Presidents of the Conference. These documents have been published in *THE ROUND TABLE*, because nothing is more important to our own country as well as to others than that the public should understand the true character of the economic and financial difficulties which face every European country, and the only means of remedying them. Such an understanding—it would seem from many indications—is not possessed either by the great mass of the people or by the leaders of the Labour Party, or indeed, it may be thought, particularly after the recent astonishing letter from Capt. Guest, the chief whip of the Coalition, by some at least of the members of the Government itself. This is not to be wondered at. The economic and financial history of

* The Resolutions printed are those proposed to the Conference by the Commissions on Public Finance and on Currency and Exchange. The full Report of the Conference with these Resolutions together with those by the Commissions on International Trade and International Credits has now been published by the League of Nations in pamphlet form, and a similar pamphlet is shortly to be issued containing the introductory speeches of the four Vice-Presidents. The verbatim report of the Conference will be published later.

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the war has been of such a character as to mislead all but those who have grasped and held fast to certain fundamental economic truths. The great mass of the people in particular are not to blame. They have seen money poured out like water for four or five years; the purses of the governments seemed for the purposes of the war absolutely bottomless. It was natural to conclude that there existed and still exists somewhere within the community an inexhaustible reservoir of wealth, or one at least copious enough to secure a fair standard of living for every class. They were not able to see that all this outpouring of our substance on the war was accompanied by a constant deterioration of our economic situation, by a vast loss of national capital, and by the creation of a huge load of debt, internal and external—in fact, that we were like a spendthrift, living more or less at our ease by wasting our capital. And, when the war was over, in many facile speeches, our politicians promised the people a land fit for heroes, a new way of life, a higher standard of living—promises which, since they were not likely to have been deliberately misleading, must have been the outcome of ignorance, and which with the best will in the world neither they nor any other human being can possibly fulfil, at least until after, not months, but years of effort and sacrifice, labour and saving the whole community has first climbed arduously back to the level of prosperity and wealth which it had reached in 1914. Fortifying the conclusions as to our wealth, to which the experience of the war had erroneously led them, by the magnificent pictures of the good time coming, in which Mr. Lloyd George's imagination in particular led him to indulge, the great mass of the people have naturally become convinced that the wealth they desire in order to maintain and improve their standard of living is still somewhere within the community if they can only get hold of it.

In reporting a few days ago the proceedings of the International Financial Conference to his paper, a British

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journalist wrote that some remarks had been made by some members which might be interpreted to mean that in their view not even the standard of living of 1914 could now be maintained. He added that Labour everywhere would take this as a direct challenge by capitalist interests. Such a statement is meaningless. The maintenance or non-maintenance of a community's standard of life does not depend on governments or on capitalists. It depends on that community's production of wealth, both for its own use and for exchange against the wealth of other nations. If in England, for instance, production, for whatever reason—loss of capital in the war, less energy in the workers, loss of ability and enterprise in the directors of industry, incapacity or unwillingness of the rest of the world to buy—is less in 1920 than in 1914, then the standard of life in 1920 throughout the community cannot be as high as in 1914. It may be that quite temporarily the deterioration of that standard may be postponed by reducing the national savings, either by too excessive taxation or by subsidies on bread or housing or railway rates or other devices for concealing the true economic situation—*i.e.*, by sacrificing future progress to present needs. But it will not amount to much and must be paid for later. If production is much less in 1920 than in 1914, then the standard of life cannot by any means whatever be maintained. Indeed, over the greater part of Europe this result has long been reached, and owing to the failure of production the standard of life is now very far below that of 1914. It would be useless for the governments of Germany and Austria and of many other countries, too, to claim that the pre-war standard of life had been maintained; it would be a mockery to their populations to promise them a land fit for heroes. The day of self-deception as to the true economic position of the community, and as to the results of the war and of excessive government expenditure in impoverishing a country, is long past with them. Are we going to learn the lesson which they teach us or to

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follow in their wake ? Can we learn particularly from Germany's example of the extraordinary difficulties which threaten to overwhelm a highly developed and thickly populated industrial nation, as it is inevitably driven by the loss of capital, by excessive government expenditure and increasing inflation, further and further down the road to financial ruin ? For in our country there are evident and inevitable signs of a growing difficulty, hitherto veiled by the artificial financial methods of the war and the temporary after-war boom, in maintaining our general standard of life. Whether we are at all able to maintain during the immediate future among the mass of our population our existing standard depends very largely upon the extent to which we observe the financial and economic principles clearly laid down by the International Financial Conference at Brussels. They are therefore well worthy of careful consideration.

That Conference was a unique assembly. Eighty-six representatives, all of them versed in financial and economic affairs, were present from thirty-nine countries, whose inhabitants comprise three quarters of the world's population. These representatives, while appointed by their several governments, attended as experts and not as spokesmen of official policy. They expressed their personal opinions with freedom ; they voted with entire liberty in accordance with the dictates of their experience, and so clear, in their view, after a fortnight's arduous examination and discussion, was the nature of the financial evils from which the world is suffering, and the remedies therefor, that the final report of the Conference and all the resolutions of the various commissions were adopted unanimously. Notwithstanding its comparatively brief duration, the Conference did its work with thoroughness. It had before it detailed statements of the financial situation of all the thirty-nine countries represented ; it listened in addition to a verbal explanation from the spokesmen of each country ; it debated in full conference the four great

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questions of Public Finance, Currency and Exchange, International Trade and International Credit. Each of these four subjects was referred to a separate commission to draft resolutions, and finally these resolutions, together with a general report, were unanimously agreed to.

The Conference found that the root cause of all the world's financial predicaments was the great destruction of capital caused by the war. This loss of capital takes many forms. Its most striking form is in the actual destruction of towns and villages and countryside in the devastated areas of France and Belgium. But it is equally to be observed in the deterioration of railway systems, roads and houses, in the enforced sale of foreign securities to countries outside Europe, in the huge external debts of the belligerent countries, and, particularly in Central Europe, in the loss of working capital in the form of stocks of raw materials. England, it has been sometimes estimated, had in 1918 lost one-sixth of her pre-war capital; the German Government estimated officially at Spa that the national capital of Germany had been reduced by more than half.

So intense during the war were the demands of the governments on the resources of their nations that they could not be met solely out of the annual product of the people, but had partly to be met by dissipating their capital. So great were they, too, that they could not be paid for out of taxation expressly imposed or out of loans from the people's real savings. All governments resorted, therefore, to creating the purchasing power they needed by expanding according to their necessities either paper currency or banking credit, without any corresponding increase in real wealth. In other words, by continuously expanding currency and credit without expanding wealth they constantly debased their standard of value, until £1 now is worth less than 10s. in 1914; one mark is worth under 1d. in Germany as against 1s.; one krone in Austria is worth, say, about 1/5th of a penny instead of 10d.;

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while in Russia roubles which before the war would have been worth, say, £100,000, can now be bought as a speculation for about £20. Such inflation is merely a method of concealed taxation, by which a government takes from its citizens their wealth, not by actually forcing them to pay it over to the tax-gatherer, but by reducing its value. The more impoverished a country the greater the compulsion upon it to resort to these methods, the greater the extent to which it trenches upon its capital, and the further it is driven down this road to ruin. In the advanced stages of the disease, upon which Austria and Poland, for instance, and it may be said Germany too, has entered, to do anything to arrest it becomes a matter of extreme difficulty.

So far-reaching and corrupting are the effects of inflation that it is worth while to define them with some care, especially since many of the evils which flow from it are usually attributed popularly to quite other causes, and in consequence entirely futile remedies are proposed.

In the first place, inflation in this and other countries is the root cause of profiteering. Indeed, inflation and profiteering are Siamese twins. You cannot cure profiteering without curing inflation, and if you cure inflation you will cure profiteering. As long as prices continue to rise, whoever makes or buys or holds goods at one price and can in a short time sell them at a higher price must "profiteer." Profiteering is not an inherent vice of the capitalist system. In normal times and with stable prices, and when the losses which capital suffers are counted in with the profits, it is more than doubtful whether the profits of all trade and industry amount to more than a very small percentage on the capital employed. Certainly the idea that by the distribution of these profits you can largely increase wages is baseless. By causing profiteering, inflation is, therefore, responsible for the disproportionate importance attached by Labour to the profits of Capital. There is nothing, indeed, which has done so much in all

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countries in the last five years as profiteering to poison the relations between Capital and Labour, and for this reason alone it is extremely important to check inflation. Failing this, all other plans proposed by the Government or the Labour Party for reducing the cost of living are futile.

In the second place, what the profiteer, whether capitalist or wage earner, gains is lost by all those living on fixed incomes or salaries or on wages which have not increased with the increased cost of living. The extent of profiteering is the measure of what these classes have lost. Indeed the "new poor" are among the greatest sufferers through the war, and the greatest of all where inflation has been most rampant. If our inflation had equalled the Austrian, a widow or schoolmaster or clergyman, having £1,000 capital saved up and deposited in a bank in 1914, would now find that £1,000 reduced in value by the depreciation of currency to £20. In this country the average income of the country clergymen of the Church of England is probably now far below that of the skilled artisans and miners.

In the third place, inflation, by necessitating a constant readjustment between wages and prices—the vicious spiral, as it is now known throughout Europe, in which wages and prices endlessly chase one another—causes constant strikes and Labour unrest, very seriously impeding production. When wages increase faster than production the real cost of living increases to all those who are not strong enough to insist upon further increases of wages or salaries, or who cannot increase their incomes. In other words, the strong unions and the profiteers unwittingly trample down the weak, and bring them either a lowered standard of life or unemployment.

In the fourth place, inflation, by depreciating the currency, depreciates the exchanges. Thus all imports cost more, and again, particularly in a country like ours, which depends so largely on imports, prices are driven up.

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Fifthly, inflation, by increasing prices, constantly increases government expenditure. While revenue will ultimately increase in proportion to prices, expenditure tends to increase even more quickly and to cause a larger deficit, thus tending to still more inflation and a further increase in the cost of living. It is only quite recently, for instance, that railway and postage rates have been increased in any proportion to increased costs.

Sixthly, the constant changes in prices and in the exchanges restrict legitimate trade and industry and tend to replace them by speculation. This is another serious handicap to production.

Seventhly, in its extreme form, as seen in part of Europe, particularly Russia, inflation ultimately disintegrates society and leads to chaos and anarchy. The simple but brilliant Bolshevik plan of ruining Western civilisation by forging unlimited quantities of each country's currency would have been wonderfully effective if it could have been put into operation.

For these reasons the Brussels Conference recognised that the first reform in Europe, on which all others depended, and indeed the only means of avoiding ruin, was to check inflation. No other task before the governments of Europe was comparable in importance and urgency. Underneath all the machinery of finance lay the fundamental necessity of increasing production and encouraging saving. Economically inflation impeded production, and discouraged saving; politically and socially it was responsible for very many of the common troubles of Europe. It is true that rapid deflation, as the Conference recognised, by bringing further instability and great depression, might be as bad as inflation. What was imperatively required was stability, bringing with it confidence, so that the urgent task of restoring lost capital might be facilitated. How then could stability be achieved? The Conference recognised that, limited as it was by its reference to the sphere of finance, it "could only deal with

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a part of the problem which faced the governments and peoples of the world."

Finance is, after all, only a reflection of commercial and economic life—a part only, though an essential part, of its mechanism. The wealth of the world consists of the products of man's work, and the sum total of human prosperity can be increased only by an increase of production. All that any official or organised action can do is to create conditions which are favourable to production, and of those the most important fall outside the sphere of finance.

First and foremost the world needs peace. The Conference affirms most emphatically that the first condition for the world's recovery is the restoration of real peace, the conclusion of the wars which are still being waged and the assured maintenance of peace for the future.

"If the first condition," as the report of the Conference proceeds, "is peace between the countries of the world, the next is peace within each of them and the establishment of conditions which will allay the social unrest that is at present impeding and reducing production, and which will restore social content, and with it the will and the desire to work." Subject to these indispensable conditions the Conference advocated certain financial measures, for a full understanding of which its report and the resolutions of the different commissions should be studied with care.

First and foremost the governments, municipalities and other local authorities must live within their means.

In the second place "banks, and particularly banks of issue, should be freed from political pressure and should be conducted solely on the lines of prudent finance."

Thirdly, the creation of additional credit should cease, and governments and municipalities should not increase their floating debts, but should begin to repay or fund them by degrees. The Conference laid stress on the danger of large floating debts in themselves leading to further inflation.

Fourthly, the "natural regulator of credit is the rate of interest, imposed by the central banks of issue. There is

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no reason why governments should be less subject than the rest of the community to whatever rate of interest is necessary for the proper restriction of credit. In those countries where the financial machinery is wholly out of gear, and the rate of interest ineffective, credit must be restricted to real economic needs."

Fifthly, commerce should as soon as possible be freed from all government control and impediments to international trade removed.

Sixthly, economy in expenditure should be exercised by the whole population. "Such private action is the indispensable basis for the fiscal measures required to restore public finances."

Seventhly, on the question of currency, the Conference regarded the earliest return by all countries which have lapsed therefrom to the gold standard as highly desirable, but considered it "useless to attempt to fix the ratio of existing fiduciary currencies to their nominal gold value," or to attempt any sudden deflation of currency or to stabilise the value of gold. It rejected any notion of an International Currency or an International Unit of Account, and regarded any artificial control of the foreign exchanges as useless and mischievous.

Eighthly, as regards international credits and loans, it did "not believe that apart from particular decisions dictated by national interests or by considerations of humanity, credits should be accorded directly by governments." It thus summarily rejected all notions of vast international loans, of issues of League of Nations bonds, and so forth, which are wholly impracticable. It did, however, tentatively suggest for further consideration certain schemes for facilitating exports to impoverished countries either by special guarantees or some method of insurance. The Conference recommended that the League of Nations should arrange for further expert inquiry to be made as soon as possible into these schemes. Useful, however, as they may prove to be, it is certain that the

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part they can ever play is insignificant compared to the importance of encouraging credits through ordinary banking and financial channels, by a return to sound finance and freedom of trade and industry, in all countries requiring assistance.

It is not intended to discuss in further detail in this article the more technical recommendations of the Conference. With the adoption of sound principles of finance, with general peace, internal and external, it will be easy to carry them into effect: without them it will be impossible. It is better, therefore, to confine our attention to more fundamental questions. The true meaning of the Conference's recommendations can be summarised in one sentence. Stability can be attained in one way, and one way only—namely, by governments and citizens recognising their poverty and learning to live within their means. Simple as this platitude sounds, it is a task now fulfilled by hardly any European country, and is indeed, so reduced have their means become, temporarily at any rate, beyond the powers of several of them. Even in our own country its adoption as our common aim would involve a revolution in the political and economic ideas of the majority of our people, and certainly in the programmes of the political parties. The efficacy of all the other recommendations, indeed, depends upon sound public finance. What sound public finance means, and why its adoption is all-important, are explained in Mr. Brand's address and in the Resolutions of the Commission appointed to deal with that subject. Their main conclusions may be summarised as follows:—

1. Industry is suffering from a scarcity of capital. The more capital used by governments, the less is available for industry. Which is likely to use it most productively?
2. There is a "close connection between Budget deficits and the cost of living which is far from being grasped." "Nearly every government is being pressed to incur fresh expenditure, largely on palliatives, which aggravate the evils against which they are directed."

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3. Budget deficits mean :—

(a) Further inflation of credit and currency.

(b) Further depreciation in the domestic currency and the exchange.

(c) A further rise in the cost of living.

“The country which accepts the policy of Budget deficits is treading the slippery path which leads to general ruin ; to escape from that path no sacrifice is too great.”

4. “It is therefore imperative that every government should, as the first social and financial reform, on which all others depend :

(a) Restrict its ordinary recurrent expenditure, including the service of the debt, to such an amount as can be covered by its ordinary revenue.

(b) Rigidly reduce all expenditure on armaments, in so far as such reduction is compatible with the preservation of national security.

(c) Abandon all unproductive extraordinary expenditure.

(d) Restrict even productive extraordinary expenditure to the lowest possible amount.”

5. Reduction in armaments is therefore essential.

6. All uneconomical and artificial measures including :

(a) subsidies on bread, coal, and other materials, as well as demoralising unemployment doles ;

(b) the maintenance of railway fares, postal rates, and other government charges on a basis insufficient to cover all the costs of the service given should be abandoned as soon as possible.

7. Where expenditure cannot be cut down within the limits of existing revenue, further taxation must be imposed.

What, then, are the lessons which we, in this country, can draw from the Conference ? First of all it is safe to say that owing to our splendid financial traditions of many years, and to the sound policy which Mr. Chamberlain and the Treasury have pursued in the past two years,

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Great Britain has hitherto come far nearer than any other country to meet in Public Finance the ideals laid down by the Conference. The simple statement made by Lord Chalmers of the huge taxation which we had imposed, and the commencement we had already made in the repayment of debt, made a great impression on the Conference.

Nevertheless, fortunate as is our position in comparison with our continental neighbours, we have not, in the writer's opinion, yet passed the crest of the hill or by any means definitely overcome all danger of further inflation. If, as seems unfortunately likely, we must face in the next year or two a period of severe trade depression, the government revenue, and particularly the Excess Profits Duty, is likely to show a decided falling-off. Revenue will cease to be elastic, and additional taxation, instead of increasing revenue, may diminish it by further diminishing the already insufficient stores of capital for industry, and by hampering production. On the other hand government expenditure seems likely actually to increase, unless Parliament insists on its curtailment. The genius of Mr. Lloyd George's government does not exactly lie in economy, and official government apologists are already urging that expenditure cannot be reduced. On the other hand, schemes of further public expenditure on unemployment insurance, relief works, and so forth, are foreshadowed. They may very likely turn out to be "palliatives which aggravate the evils against which they are directed." Whatever their merits, they involve an increase instead of a diminution in expenditure. In some form or other, therefore, the community in general must bear the extra burden imposed. If pay is given to the unemployed, then it must go to reduce the profits or the interest or the salaries or the wages of those who are working or have capital invested. If great highways are built out of London by the public authorities, they cannot be immediately remunerative. Yet the wages and materials must be immediately paid for, and the extra burden must be met by the taxpayers and

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ratepayers. And their burden, it may be said in general, is, in one way or another, either by causing increased cost of living or reduced employment, shared ultimately by the general community. Whatever you do, you cannot make something out of nothing. It is imperative, therefore, that every item of government expenditure should be most closely scrutinised. Above all, and by some means or other, the Government must continue at least to balance its Budget and to redeem gradually the floating debt.

This brings us to another and extremely important point. It is not only government expenditure which causes inflation. Inflation results also from an increase in banking credit unaccompanied by a proportionate increase in real wealth. In 1919 banking credit expanded enormously, and the increase in the liabilities of the banks of the United Kingdom amounted to nearly £450,000,000, an increase larger than in any war year. There are indications that the increase still continues. This increased purchasing power granted by the banks is due to the demands of industry, and these demands have been again due partly to enterprise, which is legitimate, partly to enterprise which has been misguided, since the products made cannot be sold, and partly to additional requirements of industry due to increased wages and costs. Anything which increases costs tends to increase inflation. For instance, the recent coal strike will tend, temporarily at any rate, to increase the cost of living. It will reduce production, and so increase scarcity and send up prices; it will reduce saving, and so capital, and tend to increase the rate of interest, which again will tend to increase prices; it will diminish our exports, and thus tend to prevent any recovery in our exchanges; in consequence, all our imports will cost us more than they otherwise would have, and so prices will be increased. This increase in prices in itself will lead to more currency being required, and to all companies needing more credit and more capital to carry their working stock and to continue their opera-

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tions. Since the Government have definitely restricted the amount of currency which can be issued, the banks cannot, as during the war, continuously and without fear increase their credit facilities. Indeed, so great have been already the demands on them, that they have already had to restrict them. If, therefore, owing to increased prices further credit must be had and cannot be obtained, the companies concerned must restrict or abandon their operations, and so unemployment will grow. Moreover, any increase in the cost of living leads to demands for higher wages all round; and so the vicious spiral will mount.

But it does not need a strike to cause further inflation. The same results tend to occur whenever wages have reached an uneconomically high level—*i.e.*, when they are disproportionate to the value of the output, that value depending, of course, on the effective demand in this and other countries for the product made. In normal times, and under private enterprise, the necessary adjustment must be reached by the closing of the factory concerned or the restriction of its output, or, in the case of agricultural products, the restriction of acreage, since the product will not be bought by the consumers, and that is what is already the case in many trades. But that does not so easily happen in the case of a necessity and a monopoly like coal. Clearly the mine-owners and the miners can continue for a long time to secure high profits and wages by increasing the cost of coal before the consumption of it will very largely decrease. But let us be under no illusion as to the results. Unless the production of coal increases, the higher profits and wages of the coal industry are secured by depressing the standard of the rest of the community, and, in all probability, in particular the standard of those classes least able to defend themselves, such as the unskilled and unorganised workers. One can liken the production of the country available for distribution in wages, interest, and profits to a blanket with which several people

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are trying to cover themselves, but which is too small. If one party is strong enough or selfish enough to manage to cover himself, someone else must be left out in the cold.

Most trades are, of course, not monopolies like the coal trade, and the most serious problem before the country is to arrive in industry in general at an equilibrium between the cost of production of which wages will be the largest fraction and the value of the article produced, or, in other words, on our power to sell it. The textile industry is depressed because the Far East finds our prices too high. Moreover, large contracts in railway and other materials are going to our European competitors, because their prices are lower than ours. It may be that we cannot retain our markets and avoid very great unemployment without an adjustment in wages; it may be that we can hold the position by increasing our efficiency: it may be that we can make the necessary readjustment by great emigration. One thing is certain. By one means or another an equilibrium must be reached. Merely to increase wages must merely increase inflation with its endless evil consequences, and ultimately lead to the most widespread unemployment and distress.

It is useless to think we can live in a water-tight compartment of our own. We depend on selling our exports. If we are cut out by our competitors, we must either have unemployment or reduce our costs. The tendency is clearly in the direction of reduced world prices, and if prices come down profits will certainly come down, and wages may have to follow them.

The trades unions and the Labour Party insist, and rightly insist, on the vital importance of maintaining the standard of living. However sound is our financial and economic policy, the war has made that difficult enough in any case. The blanket is not large enough. But is it not irony that Labour, sincerely desirous above all things of securing this end, should by its action and policy be making it wholly unattainable? Each strike, great and small,

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weakens *pro tanto* the community's power to maintain its standard. But, apart from these shocks, the main policy of the Labour Party appears to be the extension of government activities in every direction with the certain consequent extension of government expenditure. It is impossible to disguise from oneself that such a policy is in direct contradiction with the principles of the Brussels Conference. If the Conference is right, it must lead to further inflation, a further rise in the cost of living, increased taxation, and all the evils indicated above. Yet what does Mr. J. H. Thomas say, speaking on behalf of the Labour movement in his recent book, *When Labour Rules*. Nationalisation, says Mr. Thomas, who seems to regard it as the panacea of all economic ills, "will decrease the cost of the commodity to everyone, it will leave allowance for a system of wages in advance of those appertaining to-day, and even then a margin which will go into the national exchequer and thus relieve taxation." These statements are entirely unsupported by any evidence or even by any arguments. It is important they should be, since, if the Brussels Conference is right, they are in the circumstances of the moment the exact opposite to the truth.

The spokesmen of Labour sometimes talk as if the standard of life were something independent of the joint efforts of the whole community and, indeed, of the whole world, something possessed by the Government, or the income-tax payers, which Labour could secure and keep, if it was only firm and determined enough. But, of course, that is not so. It depends on the national production of wealth, and unless an increase in government functions means an increase in national production it would become more difficult, instead of less, to maintain wages. The standard of 1914 can only be maintained by the production of 1914. And, unfortunately, production does not depend only on the efforts of Labour, or on those of Capital, or on anything we can do in this country. It depends largely on the prosperity of our neighbours, on their power to buy

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from us by selling to us in turn and also on their willingness to buy from us at the high prices necessitated by the high cost of labour and capital here. It is curious, indeed, to note that some of the countries least directly concerned in the war find themselves in the greatest difficulties. Neutrals like Switzerland with a favourable exchange are in great straits owing to their inability to find purchasers for their goods, since their neighbours cannot buy. Nothing shows more strikingly the interdependence of the whole world. We cannot live on our neighbours' poverty. Until the world regains equilibrium, and until our neighbours recover, low production, unemployment, and hard times may be enforced on us. Whatever we do, we cannot escape the consequences by unemployment bonuses and relief works. We may distribute more widely the burden, but that is all. And unless we manage at all costs to hold to the path laid down by the Brussels Conference, our troubles will grow still worse.

Is it impossible for all parties, Coalition, Liberal and Labour, to agree upon the soundness of the principles approved at Brussels? Will not the Labour Party at any rate make a serious and impartial study of them? Will not they seriously consider whether the interests of their followers are not best served by restricting government expenditure, checking inflation, achieving stability of prices, improving the exchanges, and by, if not reducing, at least preventing any further rise in the cost of living? Must they really hold to the faith that their salvation lies here and now in the great extension of government activities and expenditure? For at any rate, until we have recovered somewhat from the war, that way no salvation lies.

To the writer they seem sometimes to ignore the fact that the community is an organic whole, of which by far the largest part consists, of course, of the manual workers themselves; that, if they increase government expenditure and necessitate additional taxation, they are taking money from themselves, since in one form or another, the sacrifices

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which such taxation involves, are distributed over the whole community ; that, if they strike, they strike against themselves ; that, if they reduce production, they reduce their own standard of living ; that they cannot, as their extremists desire, render industry unprofitable without first ruining themselves ; that there is no hidden reservoir of wealth except in their own energy, skill and ability, and that of the rest of the community ; and that their salvation and the maintenance of their standard of life depends on confidence, stability, and sound finance. If it were only possible for the political parties to agree on these principles, as to which no representative at the Brussels Conference, nor any of the great economists whom they consulted, had a shadow of doubt, we should have found a firm basis from which to proceed to a fruitful consideration of the great economic problems of the day—namely, the better distribution of the product of industry, the stimulus to production necessary to maintain our standard of life, and the cure, or at least the utmost diminution, of unemployment. The sound basis from which we should start would eliminate many quack remedies now current, and our financial and economic position and the well-being of our people might be quickly improved.

RESOLUTIONS PROPOSED BY THE COMMISSION ON PUBLIC FINANCE
AND ADOPTED UNANIMOUSLY BY THE CONFERENCE.

I

Thirty-nine nations have in turn placed before the International Financial Conference a Statement of their financial position. The examination of these statements brings out the extreme gravity of the general situation of public finance throughout the world, and particularly in Europe. Their import may be summed up in the statement that three out of every four of the countries represented at this Conference, and eleven out of twelve of the European countries, anticipate a Budget deficit in the present year. Public opinion is largely responsible for this situation. The close connection between these Budget deficits and the cost of living, which is causing such suffering and unrest throughout the world, is far

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from being grasped. Nearly every Government is being pressed to incur fresh expenditure ; largely on palliatives which aggravate the very evils against which they are directed. The first step is to bring public opinion in every country to realise the essential facts of the situation and particularly the need for re-establishing public finances on a sound basis as a preliminary to the execution of those social reforms which the world demands.

II

Public attention should be especially drawn to the fact that the reduction of prices and the restoration of prosperity is dependent on the increase of production, and that the continual excess of Government expenditure over revenue represented by Budget deficits is one of the most serious obstacles to such increase of production, as it must sooner or later involve the following consequences :

(a) Further inflation of credit and currency.

(b) A further depreciation in the purchasing power of the domestic currency, and a still greater instability of the foreign exchanges.

(c) A further rise in prices and in the cost of living.

The country which accepts the policy of Budget deficits is treading the slippery path which leads to general ruin ; to escape from that path no sacrifice is too great.

III

" It is therefore imperative that every Government should, as the first social and financial reform, on which all others depend :

" (a) Restrict its ordinary recurrent expenditure, including the service of the debt, to such an amount as can be covered by its ordinary revenue.

" (b) Rigidly reducing all expenditure on armaments in so far as such reduction is compatible with the preservation of national security.

" (c) Abandon all unproductive extraordinary expenditure.

" (d) Restrict even productive extraordinary expenditure to the lowest possible amount."

IV

The Supreme Council of the Allied Powers in its pronouncement on March 8 declared that " Armies should everywhere be reduced to a peace footing, that armaments should be limited to the lowest possible figure compatible with national security and that the League of Nations should be invited to consider, as soon as possible,

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proposals to this end." The statements presented to the Conference show that, on an average, some 20 per cent. of the national expenditure is still being devoted to the maintenance of armaments and the preparations for war. The Conference desires to affirm with the utmost emphasis that the world cannot afford this expenditure. Only by a frank policy of mutual co-operation can the Nations hope to regain their old prosperity; and in order to secure that result the whole resources of each country must be devoted to strictly productive purposes.

The Conference accordingly recommends most earnestly to the Council of the League of Nations the desirability of conferring at once with the several Governments concerned, with a view to securing a general and agreed reduction of the crushing burden which, on their existing scale, armaments still impose on the impoverished peoples of the world, sapping their resources and imperilling their recovery from the ravages of war. The Conference hopes that the Assembly of the League which is about to meet will take energetic action to this end.

V

While recognising the practical difficulties in the way of immediate action in all cases, the Conference considers that every Government should abandon at the earliest practicable date all uneconomical and artificial measures which conceal from the people the true economic situation; such measures include:

(a) The artificial cheapening of bread and other foodstuffs, and of coal and other materials by selling them below cost price to the public, and the provision of unemployment doles of such a character as to demoralise instead of encouraging industry.

(b) The maintenance of railway fares, postal rates and charges for other government services on a basis which is insufficient to cover the cost of the services given, including annual charges on capital account.

VI

In so far as, after every effort has been made, it is impossible to cut down expenditure within the limits of existing revenues, fresh taxation must be imposed to meet the deficit, and this process must be ruthlessly continued until the revenue is at least sufficient to meet the full amount of the recurrent ordinary expenditure. The Conference considers that the relative advantages of the various possible means of increasing the national revenue, whether by direct or indirect taxation or by a capital levy (to be devoted to the repayment of debt), depend upon the special economic conditions obtain-

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ing in each country, and that in consequence each country must decide for itself on the methods which are best suited to its own internal economy.

VII

If the above principles are accepted and applied, loans will not be required for recurrent ordinary expenditure; borrowing for that purpose must cease. In a number of countries, however, although the ordinary charges can be met from revenue, heavy extraordinary expenditure must at the present time be undertaken on capital account. This applies more especially in the case of those countries devastated during the war, whose reconstruction charges cannot possibly be met from ordinary receipts. The restoration of the devastated areas is of capital importance for the re-establishment of normal economic conditions; and loans for this purpose are not only unavoidable but justifiable. But in view of the shortage of capital it will be difficult to secure the sums required even for this purpose, and only the most urgent schemes should be pressed forward immediately.

VIII

The means by which loans are raised are no less important than the purposes for which they are destined. In future the loans which are required for urgent capital purposes must be met out of the real savings of the people. But those savings have, as it were, been pledged for many years ahead by the credits created during the war, and the first step to raising fresh money must be to fund the undigested floating obligations with which the markets are burdened. These principles apply both to internal and to external borrowing, and in regard to the latter we suggest that it would be in the general interest for the creditor countries to give such facilities as may be possible to the debtor countries to fund their floating obligations at the earliest possible date.

IX

In order to enlist public interest it is essential to give the greatest publicity possible to the situation to the public finances of each State.

The Conference is, therefore, of the opinion that the work already accomplished by the Secretariat in its comparative study of public finances should be continued, and it suggests that the Council of the League of Nations should request all its Members and all the Nations represented at this Conference to furnish it regularly not

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only with Budget estimates and final Budget figures, but also with a half-yearly account of actual receipts and expenditure. At the same time, countries should be urged to supply as complete information as is possible on the existing system of taxation, and any suggestions which may appear to each State to be useful for the financial education of the public opinion of the world.

With the aid of the information thus obtained the League of Nations would be enabled to prepare pamphlets for periodical publication setting out the comparative financial position of the countries of the world, and making clear the various systems of taxation in force.

X

The Conference is of opinion that the strict application of the principles outlined above is the necessary condition for the re-establishment of public finances on a sound basis. A country which does not contrive as soon as possible to attain the execution of these principles is doomed beyond hope of recovery. To enable Governments, however, to give effect to these principles, all classes of the community must contribute their share. Industry must be so organised as to encourage the maximum production on the part of capital and labour, as by such production alone will labour be able to obtain those improved conditions of life which it is the aim of every country to secure for its people. All classes of the population, and particularly the wealthy, must be prepared willingly to accept the charges necessary to remedy the present situation. Above all, to fill up the gap between the supply of and the demand for commodities, it is the duty of every patriotic citizen to practice the strictest possible economy and so to contribute his maximum effort to the common weal. Such private action is the indispensable basis for the fiscal measures required to restore public finances.

RESOLUTIONS PROPOSED BY THE COMMISSION ON CURRENCY AND EXCHANGE AND ADOPTED UNANIMOUSLY BY THE CONFERENCE.

The currency of a country, in the sense of the immediate purchasing power of the community, includes (a) the actual legal tender money in existence, and (b) any promises to pay legal tender, *e.g.*, as Bank balances—which are available for ordinary daily transactions.

The currencies of all belligerent, and of many other, countries, though in greatly varying degrees, have since the beginning of the war been expanded artificially, regardless of the usual restraints upon such expansion (to which we refer later) and without any

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corresponding increase in the real wealth upon which their purchasing power was based ; indeed in most cases in spite of a serious reduction in such wealth.

It should be clearly understood that this artificial and unrestrained expansion, or "inflation" as it is called, of the currency or of the titles to immediate purchasing power, does not and cannot add to the total real purchasing power in existence, so that its effect must be to reduce the purchasing power of each unit of the currency. It is, in fact, a form of debasing the currency.

The effect of it has been to intensify, in terms of the *inflated* currencies, the general rise in prices, so that a greater amount of such currency is needed to procure the accustomed supply of goods and services. Where this additional currency was procured by further "inflation" (*i.e.*, by printing more paper money or creating fresh credit) there arose what has been called a "vicious spiral" of constantly rising prices and wages and constantly increasing inflation, with the resulting disorganisation of all business, dislocation of the exchanges, a progressive increase in the cost of living, and consequent labour unrest.

I

Therefore :

It is of the utmost importance that the growth of inflation should be stopped, and this, although no doubt very difficult to do immediately in some countries, could quickly be accomplished by (1) abstaining from increasing the currency (in its broadest sense as defined above), and (2) by increasing the real wealth upon which such currency is based.

The cessation of increase in the currency should not be achieved merely by restricting the issue of legal tender. Such a step, if unaccompanied by other measures, would be apt to aggravate the situation by causing a monetary crisis. It is necessary to attack the causes which lead to the necessity for the additional currency.

The chief cause in most countries is that the Governments finding themselves unable to meet their expenditures out of revenue, have been tempted to resort to the artificial creation of fresh purchasing power, either by the direct issue of additional legal tender money, or more frequently by obtaining—especially from the Banks of Issue, which in some cases are unable and in others unwilling to refuse them—credits which must themselves be satisfied in legal tender money. We say, therefore that :—

II

Governments must limit their expenditure to their revenue. (We are not considering here the finance of reconstructing devastated areas.)

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III

Banks, and especially Banks of Issue, should be freed from political pressure and should be conducted solely on the lines of prudent finance.

But the Governments are not the only offenders in this respect ; other parties, and especially in some countries the municipalities and other local authorities, have raised excessive credits which in the same way multiply the titles to purchasing power.

Nor will it be sufficient, for the purpose of checking further inflation, that additional issues of legal tender or the granting of additional credits should cease ; since the floating debts of Government and other authorities constitute in themselves a form of potential currency, in that, except in so far as they are constantly renewed, their amount will come to swell the total currency in existence. Consequently—

IV

The creation of additional credit should cease and Governments and municipalities should not only not increase their floating debts, but should begin to repay or fund them by degrees.

In normal times the natural and most effective regulator of the volume and distribution of credit is the rate of interest which the central Banks of Issue are compelled, in self-preservation and in duty to the community, to raise when credit is unduly expanding. It is true that high money rates would be expensive to Governments which have large floating debts, but we see no reason why the community in its collective capacity (*i.e.*, the Government) should be less subject to the normal measure for restricting credit than the individual members of the community. In some countries, however, the financial machinery has become so abnormal that it may be difficult for such corrective measure to be immediately applied. We recommend, therefore, that—

V

Until credit can be controlled merely by the normal influence of the rate of interest, it should only be granted for real economic needs.

It is impossible to lay down any rule as to the "proper rates" of discount or interest for different countries. These rates will depend not only on the supply and demand at different times but also on other factors often of a psychological nature. It may, indeed, confidently be said that when once the arbitrary increase of inflation ceases and when the Banks of Issue are able successfully to perform their normal functions, rates will find their own proper level.

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The complementary steps for arresting the increase of inflation by increasing the wealth on which the currency is based may be summed up in the words: increased production and decreased consumption.

The most intensive production possible is required in order to make good the waste of war and arrest inflation and thus to reduce the cost of living; yet we are witnessing in many countries production below the normal, together with those frequent strikes which aggravate instead of help to cure the present shortage and dearness of commodities. When diminution in the Governments' demands frees more credits for trade and for the recuperation of the world, when inflation has ceased and prices cease to rise, and when the general unsettlement caused by the war subsides, it is probable that great improvement will be seen in productive activity. Yet, in our opinion, the production of wealth is in many countries suffering from a cause which it is more directly in the power of Governments to remove—viz., the control in various forms which was often imposed by them as a war measure and has not yet been completely relaxed. In some cases business has even been taken by Governments out of the hands of the private trader, whose enterprise and experience are a far more potent instrument for the recuperation of the country.

Another urgent need is the freest possible international exchange of commodities. With this another Commission will deal, but we feel that our recommendations here on inflation would not be complete without adding that—

VI

Commerce should as soon as possible be freed from control, and impediments to international trade removed.

Equally urgent is the necessity for decreased consumption in an impoverished world where so much has been destroyed and where productive power has been impaired. It is, therefore, specially important at present that both on public and private account and not only in impoverished countries, but in every part of the world—

VII

All superfluous expenditure should be avoided.

To attain this end, the enlightenment of public opinion is the most powerful lever. If the wise control of credit brings dear money, this result will in itself help to promote economy.

We pass now from inflation and its remedies to the other points submitted to us.

Without entering into the question whether gold is or is not the ideal common standard of value, we consider it most important that

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the world should have some common standard, and that, as gold is to-day the nominal standard of the civilised world,—

VIII

It is highly desirable that the countries which have lapsed from an effective gold standard should return thereto.

It is impossible to say how or when all the older countries would be able to return to their former measure of effective gold standard or how long it would take the newly formed countries to establish such a standard. But in our opinion—

IX

It is useless to attempt to fix the ratio of existing fiduciary currencies to their nominal gold value ; as, unless the condition of the country concerned were sufficiently favourable to make the fixing of such ratio unnecessary, it could not be maintained.

The reversion to, or establishment of, an effective gold standard would in many cases demand enormous deflation and it is certain that such—

X

Deflation, if and when undertaken, must be carried out gradually and with great caution ; otherwise the disturbance to trade and credit might prove disastrous.

XI

We cannot recommend any attempt to stabilise the value of gold and we gravely doubt whether such attempt could succeed ; but this question might well be submitted to the Committee to which we refer later, if it should be appointed.

XII

We believe that neither an International Currency nor an International Unit of Account would serve any useful purpose or remove any of the difficulties from which International Exchange suffers to-day.

XIII

We can find no justification for supporting the idea that foreign holders of Bank notes or Bank balances should be treated differently from native holders.

XIV

In countries where there is no central Bank of Issue, one should be established, and if the assistance of foreign capital were required for

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the promotion of such a Bank, some form of international control might be required.

XV

Attempts to limit fluctuations in Exchange by imposing artificial control on Exchange operations are futile and mischievous. In so far as they are effective they falsify the market, tend to remove natural correctives to such fluctuations and interfere with free dealings in forward Exchange which are so necessary to enable traders to eliminate from their calculations a margin to cover risk of exchange, which would otherwise contribute to the rise in prices. Moreover, all Government interference with trade, including Exchange, tends to impede that improvement of the economic conditions of a country by which alone a healthy and stable exchange can be secured.

We support the suggestion that—

XVI

A Committee should be set up both for continuing the collection of the valuable financial statistics that have been furnished for this Conference and also the further investigation of currency policy.

EUROPE'S ECONOMIC NEEDS

AN ADDRESS MADE TO THE BRUSSELS CONFERENCE BY
THE HON. R. H. BRAND, C.M.G.

It is my duty and my privilege to initiate the debate in this conference on the all-important question of public finance, and to speak not as the representative of any nation, but from the general international standpoint of the League of Nations. It is natural that in the time at my disposal I cannot do more than paint the very broadest picture of the subject. Nor do I claim or expect to say anything new on this vastly important and difficult problem, which is and must continue to be the constant pre-occupation of all the Governments of Europe and of very many of the distinguished persons gathered here. All those present will have had an opportunity of digesting not only the economic declaration of the Supreme Council of March 8, 1920, but also the very illuminating memoranda prepared at the request of the Secretariat of the League of Nations by certain distinguished economic experts. All these documents deal largely with the problems of public finance. They will equally no doubt have studied all the other documents relating to the actual financial conditions of each country, its revenue and expenditure, its debts, funded and floating, its currency conditions,

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exchange and so forth. They will have, therefore, in their minds not only the general principles of public finance, which they are recommended to adopt by the great economic experts of the day, but the actual conditions in each country to which these principles must be applied. I confess that a study of all these matters leads me to the conclusion that the great difficulty before the financial leaders of the world is to know, not what they ought to do, but how they are to do it. The goal is clear; the path to it not difficult to find; the question is how to surmount the obstacles, in some cases the huge obstacles, both economic and political, which lie between.

Nevertheless, notwithstanding the full information which is already before the conference, it may be useful to survey broadly the various main aspects of the present unparalleled situation. During the last 100 years, we have seen, especially in Europe, a development which is without a precedent in the history of the world. During that period and solely owing to new methods of wealth production, the capital wealth of Europe, and consequently its population, have increased at a far greater rate than ever before, until now that population is far denser than in any other part of the world. The density of population in Europe is estimated at 123 persons to the square mile; that of Asia at 53; that of North and Central America at 16 and of Australasia 2½; while the United States has 34 persons to the square mile. Belgium had before the war 665, the United Kingdom 358, Germany 324, Italy 330, and France 191. The growth and density of this European population had only been rendered possible by a highly complex organisation of industry and finance, by intensive methods of wealth-production, and by a vast interchange of European manufactured articles against the food and raw materials of the rest of the world. The civilisation of Europe is not self-supporting. The actual livelihood of its teeming millions is dependent on the smooth working of the great international financial and industrial machine, and on the maintenance of the fixed and circulating capital on which production is dependent. Europe, in fact, by the vast growth of her population, had given hostages to fortune, and could clearly only risk war at the cost of immense ultimate suffering and a lowered standard of life. Nevertheless war came, and lasted four years, a period which, I think, all economists would have predicted as almost impossible. I shall not dwell on its manifold economic results. I wish merely to lay stress on one, which is the fundamental cause of all our difficulties, and which has therefore an all-important effect on public finance—namely, the huge destruction and deterioration of capital and the consequent impaired productive capacity of Europe. It is true that only in the case of certain countries, notably France and Belgium—and these cases must have our special sympathy—has the destruction of fixed capital been on a very great

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scale. But in all the belligerent countries at any rate, and probably in a minor degree in some of the neutrals, the loss of working capital and the deterioration of fixed capital represent a huge sum, and have had in all cases very serious and in some cases almost disastrous effects. I have seen estimates that in my own country we have lost perhaps one sixth of our pre-war accumulated capital; in the case of other European belligerents the proportion is probably much greater. The German Government estimated, it appears, at Spa, that the capital value of German wealth had been reduced from 220 billion gold marks to 100 billion gold marks.

It can be imagined how serious is this great loss of capital to a continent so highly developed and so densely populated. The depressing effect on industry and trade of the loss entailed by a single bad harvest is well known. Purchasing power is diminished, and production must slacken in consequence. Imagine how vastly greater must be the consequences of the war's huge destruction. The masses can only secure the goods they want in exchange for the goods they produce. Rises in prices and wages unaccompanied by increased production accomplish nothing.

The inadequacy of capital and consequently of productive power is fundamental, and therefore in my opinion it is the necessity of increasing it as rapidly as possible that should be the main guide to public finance. The wealth of a nation must precede the wealth of its Government.

First, then, this question must be put. Since there is not enough capital to go round, which is to have it, Governments or private industry? The more capital is absorbed by Governments, the less is available for private industry. It is only too clear that industry in all countries is suffering severely from want of capital. The rates of interest demanded are constantly rising, and, since not enough money can be obtained from the public, the pressure on the banks for credit becomes more and more severe. Which is likely to use capital more productively, Governments or private industry? If the answer is in favour of private industry—that is, to use the words of a statesman of my country, Mr. Gladstone, in favour of allowing money to fructify in the pockets of the people—then, except in the cases of clearest necessity, it is imperative that Governments should restrict their expenditure within the smallest dimensions.

Secondly, it is generally recognised that continued inflation, which is primarily due to excessive government expenditure, has a serious effect on production. It is not sufficient for trade and industry merely to have capital. They must have some stability of conditions also. They require stable prices, stable exchanges, stability of the internal and external financial mechanism. The most ominous and disquieting feature of the European situation

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to-day is the constant fluctuation and even deterioration of the exchanges, the gulf which still exists in most countries in Europe between public expenditure and revenue, and in some of the most important countries the still continued increase of the floating debt and of currency. Inflation, as Professor Cassel has said, "is the combined result of an artificial creation of purchasing power in order to finance government expenditure beyond the real capacity of the country and a falsification of the money market by a too low rate of interest, in both cases with assistance of an arbitrary supply of legal tender." Inflation indeed is at bottom the result of a dearth of real capital sufficient to meet the needs of the Governments and the peoples. The greater the scarcity of capital, the more insistent becomes the impulse both on the Government and on industry to secure more purchasing power, so that all may compete for the capital they require and yet cannot get. The more impoverished becomes a nation, therefore, the worse becomes the inflation, the more prices are driven up, the worse become the exchanges, the more difficult it becomes to secure the imports without which production cannot continue, and the harder it becomes to remedy the disease. The only remedy for inflation is to arrest the increase of artificial purchasing power, whether it arises from the direct act of the Government in increasing floating debts or legal tender, or from an excessive creation of credit by the banks. For this remedy to be applied, there is needed in the first case an equilibrium between the Government's ordinary recurrent expenditure and revenue; in the second case an abandonment of the practice of meeting non-productive expenditure out of loans and a limitation even of productive capital expenditure to the lowest possible amount—since no country can with advantage add still further to its public debt—and in any case its limitation to what the public can provide out of their real savings.

The first and most important duty of public finance is that a Government should pay its way. Without that there is no foundation either for its own economic life or for receiving assistance from others.

But it may be argued with force that the duty of Governments in the prevention of inflation does not stop there. Banks can inflate as well as Governments, so long as the output of currency is unlimited. It seems therefore desirable for the Governments to take such steps as are within their power to secure such a restriction of bank credit by sufficiently high rates of discount as will correspond with the real capital available for industry and trade. It is so easy to suppose that, if industry is in need of money, its difficulties will be solved by the creation of further credit; it is so difficult to concede that cheap money may actually be harmful to production, and may raise prices. The confusion comes from

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ailing to distinguish between credit and capital. The real limiting factor in production is not credit, but capital, the actual goods and commodities available which cannot be increased merely by increasing credit. In 1914 the production of Europe in real goods was far greater than it is to-day; there was no lack of credit and the industrial plant was at full blast. To-day production is far lower, and yet credit and currency have been doubled and quadrupled. It cannot be a lack of credit that lies at the root of the trouble. The real evil lies in the constantly advancing prices which are always rendering insufficient the capital and resources of industry as well as the revenue of the Government, the rise in prices itself being caused by the great excess of the demands of the Government over the resources which they can obtain from the real savings of the people, by the excessive demands of industry on the available capital of the country, and, I may add, in some countries by the necessity to import food and other materials without any possibility of paying by exports, with the consequent complete demoralisation of the exchanges.

There are many things we cannot now do that we could have done before the war; there are many schemes and developments we must postpone, many commodities we must do without. We must be content to produce what is of the most immediate use to the community. For this reason it is a duty of those in charge of public finance to bring about some correspondence between the supply of real capital and the supply of money by imposing or recommending sufficiently high rates of discount. That is the effective means of diverting the insufficient stream of capital into the channels where it is most needed at the moment. It is of the greatest importance that capital should, as far as possible, be applied mainly to the quick production of immediately consumable articles. High rates are the only effective method of restricting development on lengthy processes of production and of forcing commodities, if they exist, on to the market. Credit is always inclined to burst its bounds, a tendency enormously intensified in a period of rapidly rising prices. It is only by means of high rates that the pressure on the banks can be maintained within bearable limits, and can be eventually diminished sufficiently to allow once again a definitely restricted issue of currency and a stable standard of value to be re-established. If this view is correct it is interesting to examine the table in paper No. 3, "Currency Statistics," laid before the conference, containing the Bank Rates of discount in the respective countries. The highest rates will be found in Japan, the United Kingdom, the United States, the Argentine and in the Scandinavian countries; the rates are lower in those European countries which have suffered most from the war and where inflation is far more serious. It is naturally useless to render money scarce

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at one end by a high Bank Rate, while at the other end purchasing power is being rapidly increased by adding to the currency or the floating debt. A policy of high interest rates must therefore be accompanied by a cessation by Governments of the practice of creating additional purchasing power, unbalanced by any increase in production. In this connection it is important also to note that saving, which it is of such vital moment to encourage, will certainly not be stimulated by low interest rates accompanied by a constant depreciation in the standard in which such savings are measured. It is this depreciation which leads to a spirit of reckless extravagance and a determination to spend at once what in any case is likely to be lost.

There is a third way in which excessive government expenditure impedes the recovery of the productive process—namely, by necessitating excessive taxation. I do not propose to consider the important and difficult question, for instance, as to the comparative merits of direct and indirect taxation or as to the advantages and disadvantages of a capital levy or a forced loan. These are matters which each country must decide for itself according to its special circumstances. But the principle, which I have already mentioned, that revenue should at least be sufficient to meet all ordinary recurring expenditure, including interest and sinking fund on debt, is applicable to all countries. This itself, which is a minimum demanded by sound public finance, is a task which imposes to-day on many countries very severe taxation. As soon as this taxation can no longer be paid out of real savings, it not only leads to further inflation and to further increases in prices, but it entrenches on the capital which is necessary for production. Industrial and trading companies, which have to pay away huge sums in taxation, find themselves short of working capital. Very likely they cannot raise the money they need from the ordinary investor, and they are driven to the banks. The banks are faced with the dilemma either of seeing the industry in question collapse or of granting them credit. As long as an unlimited supply of currency can be obtained from the issuing authority, the banks, of course, can provide themselves with resources, but at the cost to the community of further inflation, and of a further step on the downward path. Moreover, excessive taxation, while limiting the possible profits of enterprise, does nothing to lessen the risks of loss. Consequently it is bound to have for this further reason a depressing effect on production.

From whatever angle, therefore, the problem is examined, one is driven always to the same conclusion that the greatest interest of public finance should be to limit government expenditure. To follow this policy at all costs, and to accompany it by sufficiently high money rates, seems to be the only means of arresting inflation, reaching stability in prices and exchanges, and rendering possible

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the rehabilitation of foreign trade, the only means, in fact, by which, through the encouragement of production and saving, Europe can within a reasonable period replace the capital lost in the war.

It is easy to enunciate such principles. Few people will dispute them. But an examination of the actual facts of the situation quickly reveals the extreme difficulties in the way of putting them wholly into practice. The figures I have been supplied with by the Secretariat of the League of Nations show how enormously net government expenditure has increased proportionately to the total national income in the case of nearly all countries. This percentage has increased in the case of the United Kingdom from 7·7 per cent. to 26 per cent., and in the case of France from 12·8 per cent. to 35·7 per cent., and these are merely typical examples. The largest items in the budgets of European Governments to-day are, of course, the direct consequence of the war, such as armaments, interest on debt, war pensions, subsidies on food, houses, and so forth, and deficits on public undertakings such as railways. In certain cases the largest item of all is the actual reconstruction of devastated areas.

The expenditure on reconstruction, the great sums spent on the service of debts and on pensions, together with the civil service expenditure on the normal functions of Government—for instance, justice, education, and so forth—cannot well be reduced, and these amount to a very large proportion of any budget.

But large economies can certainly be made, if it is determined, first, to reduce expenditure on armaments; secondly, to abolish all such uneconomical expenditure as unemployment doles, subsidies on bread, coal, housing and so forth; and thirdly, to raise railway rates, postal rates and other government charges sufficiently to cover the cost of the service given. All such uneconomical expenditure, if persisted in, must result in undue consumption and further inflation through an increase in government expenditure unbalanced by revenue. The more they are indulged in the more difficult they are to dispense with.

Any large reduction in the expenditure of Governments can only come, therefore, through a change of policy, a determination, so far from extending, to diminish the sphere of government activity. "Give me a sound policy," is a well-known saying, "and I will give you sound finance."

It is idle to disguise from ourselves the difficulties of the task. It is a paradox of the situation that, urgent as is this limitation of expenditure on financial and economical grounds, the whole force of public opinion still seems to be exerted in the opposite direction. The war has led to an almost universal demand for the extension of government functions. Everyone has grown accustomed to State assistance and State activity. Socialism and nationalisation are the

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order of the day. The manual workers, at any rate in some of the victorious countries, were encouraged to expect, and do expect, some new way of life ; some great betterment of their lot. These changes, they believe, at any rate in my country, can be achieved if the system of private industry is replaced by some sort of Government or common ownership. They do not realise the hard truth that no system can immediately restore capital that has been destroyed, and that, whatever changes are made, a better life can, owing to the losses of the war, be now only reached through labour and suffering. Many social reforms await fulfilment, but the first of all, on which all others depend, is sound finance and a stable currency.

One urgent task—namely, the reduction of armaments—can only be tackled by all Governments jointly. Europe, it is estimated in the figures provided by the Secretariat of the League of Nations, is spending to-day on armaments, calculated at pre-war prices, at least as much as and, indeed, still more than she was spending in 1913. It is a burden she cannot support.

Apart from the limitation of expenditure, another important function of public finance is to provide not only the interest upon, but also a definite sinking fund to redeem gradually the funded debt ; and to fund as soon as possible the floating debts, which at present form a danger to financial stability. Financial stability and confidence can never be restored so long as Governments are faced with the risk of having to meet enormous demands for the repayment of short dated debt by the issue of additional paper currency. But it should be observed that only when it is provided out of an actual surplus of revenue over expenditure does the application of a sinking fund to the funded debt actually reduce debt. The funding of the floating debts, failing any possibility of reducing them out of revenue, or by methods of compulsion, is contingent on the confidence which the people of a country feel in its Government and in the power of that Government to attract its people's savings towards long dated public loans. There are many advocates of compulsory methods, such as a capital levy or forced loan, to secure an immediate large reduction in the debt. It is questionable whether such methods are from the practical point of view likely to show advantages over a more gradual process.

The Governments of all the great belligerent countries must also undertake the solution of the problem of their external debt, reparation being from this point of view tantamount to the external debt of Germany and Austria. The largest creditor of the allied nations is of course the United States, to which nearly \$11,000,000,000 was owing on March 1, 1920. It is interesting to note that the total European imports to the United States in 1919 were in value \$750,000,000, representing, if they were all available in payment of interest upon and redemption of debt, a return of a little under

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7 per cent. For two reasons, however, this is not a fair criterion of Europe's capacity. In the first place, 1919 being the first year after the war, is not a representative year, and in the second place, Europe's capacity to repay the United States depends not only on her exports to that country, but on any favourable balance she may have in other countries as well. Nevertheless it is obvious to everyone, debtor and creditor alike, that time for the repayment of these debts must be given. What is required in the interest of public finance and of the financial community as a whole is certainty, and that these and other foreign debts should be funded and the redemption dates fixed definitely. Unless this is done every Government is left in a state of harassing uncertainty, which undermines confidence and tends to affect adversely the situation.

During the war the belligerent Governments paid little or no heed to economic laws. Their objects were to concentrate all the economic power of their own people on war-like energies and to destroy the economic power of their enemies. Many restrictions were therefore imposed on free dealing and free trade internally and many measures adopted, such as the limitation of the rent of houses, or the imposition of maximum prices, or the control of capital issues or of the exchanges, which were designed either to prevent the full force of the true economic situation from falling on the mass of the people, or to limit all national activities to war. Similarly there were many restrictions of external trade, extending in the case of the enemy to complete cessation of all relations and to confiscation of private property.

There are many relics of this system so far as internal conditions are concerned. It is certain that, from the point of view of the rapid production of wealth, the interference by Governments with ordinary economic laws is almost wholly mischievous. It is no doubt true that the circumstances produced by the war and these exceptional measures are so abnormal that complete freedom—for instance, in gold movements, or in certain exceptional cases as regards the price of food or other articles—can only be restored gradually. There may also be cases where some restriction is necessary—for instance, in order to prevent the export of capital to escape taxation, or where the external value of a currency is much below its internal value. For in such a case a country may be drained of its resources by the bonus on export, as happened in what is known as Germany's "clearance sale." But in general these restrictions give rise to a constantly growing series of other difficulties. It should, therefore, be the aim of Government to give back freedom to individual initiative in all matters of finance, commerce and industry with the least possible delay.

So far as international relations between one country and another are concerned, the difficulties are greater and the evils of

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the present situation still greater too. There is far less freedom of trade between the countries of Europe now than before the war. Inter-state rivalry is far more acute, and there are far more states to be rivals. Among many states it seems to be considered the height of economic wisdom to reserve the resources of the state exclusively to its own citizens, or, if its products are allowed to be exported, to distribute them according to political considerations. If all these countries were as prosperous as they cared to be, then political considerations might be allowed to govern. But they are ruined, and the resources they each possess within themselves can never suffice to extricate them from their difficulties. Thus their only salvation is freely to trade with one another and so pool their resources. No recovery on other lines is possible. Europe must have real peace and real international co-operation. This is the conviction that deepens on me personally every day. I am here representing no particular country, but free to regard the problems before us as a citizen of Europe. I live my life in the profession of international banking, and day by day my business brings me in touch with many aspects of international economic relations, and proves to me that by far the greatest obstacle to the resumption of normal conditions is Europe's political instability and uncertainty, which clouds every international business transaction with a risk that no man of business is able to measure. My experience convinces me that Europe has two paths only open to her. Either she may take the path of despair and assume that the sort of peace we have now is merely an interlude between wars, or she may take the path of hope and accept the risks of mutual trust, Government between Government and nation between nation. In the first case I see no hope either of real economic recovery or of a stable future for western civilisation. If she chooses the second path, the pessimists may still be right. Our divisions may be too deep and in our mutual trust we may be deceived. But even then we shall be no worse off than if we had taken the other path, and at least we shall have given ourselves the chance of success. But I myself am an optimist. I lived many years of my life in South Africa and have seen for myself the wonderful results of mutual trust between former foes. Inevitable difficulties recur, and it is many years, indeed generations, before the past is obliterated. But if the seed is once well sown the tree will grow.

THE ANGLO-JAPANESE ALLIANCE

ON July 13, 1911, the Anglo-Japanese Alliance was renewed for a period of ten years. To bring it to an end, however, on July 13, 1921, notice of intention to terminate had to be given by one of the contracting parties twelve months before that date. If no such notice is given the Alliance continues automatically until it is brought to an end by either party giving twelve months' notice. This notice can be given at any time, though if either of the parties are at war on the expiration of the twelve months, the Alliance continues until peace is concluded. In point of fact no notice of intention to terminate has been given by either party. That is the technical position. But it is obvious that a deliberate decision must be come to as to whether the Alliance is to be renewed. It is far too important a question to be allowed to drift, and the short official joint communication from Spa, which appeared in the papers of July 15, recognising the necessity of making the Japanese Treaty conform to the spirit of the Covenant of the League of Nations and referring the question of whether it was consistent in its present form, proves that the two parties are already considering the question. The addition of the words "if the said agreement be continued after July 1921" in the *communiqué*, still further emphasises the fact that the question of a further renewal is an open question.

In order to weigh the arguments for or against renewal, it is necessary to examine the reasons which led

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to the original Alliance and to its subsequent renewal. The original treaty was made in 1902 for five years, at a time when the steady march of Russia eastwards, and her threat to occupy Korea and to menace the independence and future of Japan was rapidly banking up the clouds of war. Its object was to keep the *status quo* and the general peace in the "Extreme East," to preserve the independence and territorial integrity of China and Korea, and to secure "the open door" in those countries. The treaty provided that, in the event of either party becoming involved in war in defence of its respective interests (the treaty, while disclaiming aggressive intentions, recognised that Japan had special interests in Korea and Great Britain in China), the other party undertook to remain strictly neutral and to try to prevent third parties from joining in. If either party, however, were to be attacked by more than one power, the other was obliged to come to its help, and to conduct the war and make peace "in common." Our own object in making the treaty was to prevent a general Armageddon as a result of European intervention in the approaching struggle. The recent occupation of Kiaochow by the Germans and of Port Arthur by the Russians (followed by our own occupation of Wei-hai-Wei) showed how real a danger this was. It would have probably led to the break-up of China, closed the "open door," and made the Far East a cockpit for international disputes. The British, therefore, desired that the obviously impending struggle between Russia and Japan should be isolated. Japan too, remembering the earlier European intervention against herself, above all things desired the ring to be kept for that struggle. The treaty served its purpose. The war remained a duel, in which the Russian advance in Korea was defeated and Japan, and not Russia, became the predominant influence in that country, in Manchuria, and Port Arthur.

Just at the close of the war, however, on August 12, 1905, the Alliance was renewed in a stronger form for a further

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period of ten years or longer if not denounced, by a treaty which differed in several ways from the earlier treaty. Peace in the East, the integrity of China, and the maintenance of the "open door" were the declared objects. The field was, however, no longer simply the "Extreme East," but "the region of Eastern Asia and India," and the special interests of the two parties there. The independence of Korea was dropped, and Japan's supremacy recognised in that peninsula, though the principle of the "open door" was to be observed there as well as in China. Unlike the first one, this treaty compelled either ally to assist the other, if even a single power should attack its interests in "the regions of the Far East and India." Our own motives for making the new treaty were different to those which led to the first, for the situation had changed. Japan and not Russia was now the predominant power in the Far East; Russia was impotent from defeat and revolution. Our chief concern was to maintain peace in the Far East, and to obtain guaranteed security for British territory and for the "open door" in China, because of our preoccupation with the rise of German naval power. So long as Japan was friendly our position was secure. If she was unfriendly, an alliance between Germany and Japan might prove a formidable, indeed a fatal menace. Such were our reasons for the Alliance; for it secured the friendship of Japan and freed us from the necessity of keeping more than a skeleton force in eastern waters in order to defend the Dominions and India. The Alliance was no less valuable to Japan, because it gave her prestige and influence in the world, and also ensured her the peace and time in which to recover from the Russian war, and to consolidate her position on the mainland of Asia, as against the interference of either Germany or Russia. In her case also it was invaluable to have the friendship, and not the possible hostility of the greatest naval power in the world.

The next change took place in 1911, in which year, as already mentioned, the treaty of 1905 was replaced by a new

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agreement providing that the Alliance should continue for ten years from that date or longer if not denounced twelve months before its expiration. In the preceding three years a good deal had happened to change the situation. For one thing, Japan and Russia were now no longer opponents, but had come to a working agreement in Manchuria. China herself in the meantime had shown signs of recovery, and the idea of her dismemberment had sunk into the background. Korea, on the other hand, had in August 1910 been annexed by Japan. We ourselves, too, had come to an arrangement with Russia about both Persia and Afghanistan, which removed any anxiety about the Indian frontier. In Japan itself national sentiment and ambition were on the upward grade, and bad feeling had begun to grow up between herself and the United States, partly as a result of Asiatic immigration difficulties on the Pacific slope, and partly on account of commercial disputes about China.

But the most vital factor of all, from the British point of view, was the continued increase of the German fleet and the menacing attitude which had already led to the first great European crisis in 1908. This consideration by itself made a renewal of the Alliance essential in order that the hands of the British Empire might be free to meet the oncoming German storm. By this time, however, the Dominions had asserted their right to consultation about foreign affairs, and it was necessary to obtain their concurrence in this policy, because they were at this time prejudiced against it owing to their determination to resist Asiatic immigration into their territories. This feeling was based not upon hostility to Japanese or Chinese as such, but on the conviction based upon experience that the intermixture of Asiatic and European stock in any new country was bad for both, and led to social and economic problems of an almost insoluble kind. At first the attitude of Japan had been accommodating. Thus, in 1896 she had agreed to make a commercial treaty giving the

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Dominions the right to exclude her labourers and artisans. But as her prestige and national pride grew with her material power, and as the problem of providing for her own surplus population became more pressing, this attitude changed. Not unnaturally she felt that the exclusion of Japanese from new countries was a stigma which she could not but resent. Moreover, the right of her people to emigrate was of real value to her at this stage, as they were in the habit of returning with the money they made to Japan, where the standard of living was low and money relatively scarce. Her merchants and shipping companies also profited by the movement of emigrants to and fro. In 1907 she had indeed changed her old attitude so far as to refuse even to discuss the question of the Dominions' right to exclude her labourers and artisans. Though the Dominions never changed their fundamental point of view, it had sometimes taken a more uncompromising form than it did at others. Thus, at the Colonial Conference of 1897 all the Dominions except Queensland, which later on also seceded, decided to refuse to accede even to a treaty in which Japan was willing to have a clause inserted providing that it should not affect "the laws, ordinances, and regulations with regard to trade, the immigration of labourers and citizens, police and public security which are in force or which may hereafter be enacted." But ten years later trade with the Far East had developed, and Canada showed herself ready to take part in the 1894 Commercial Treaty even without the insertion of such a protecting clause. She repented, however, of this six months later, for the treaty gave the Japanese the usual right of entry, and 10,000 Japs entered the Dominion in a single year. Canada might have terminated the treaty by giving six months' notice of her intention to do so. This, however, would have deprived her of commercial advantages, so she entered upon negotiation instead. Thanks to the Alliance she succeeded, and the Japanese Government, though it gave nothing away in principle,

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declared its intention of voluntarily restricting Japanese emigration to Canada, which it has done.

Accordingly when the question of renewing the Alliance came up in 1911, the subject was discussed at the Imperial Conference held in that year. This was necessary not only to carry the Dominions on the question of policy but also because their co-operation was essential in order to make the Alliance work, for the arrangement about the immigration of Japanese, inasmuch as it depended on the voluntary attitude of the Japanese Government, might break down if similar restraint and goodwill were not also exercised in Australasia and Canada. The Conference of 1911 approved the Alliance—though Australia abstained from voting—no doubt principally because of the German menace.

In general the 1911 treaty followed the terms of the treaty of 1905. No separate arrangement, however, was to be made with another power without consultation. And then came an entirely new and most important stipulation. It reads as follows:—

“IV. Should either High Contracting party conclude a treaty of general arbitration with a third power it is agreed that nothing in the agreement shall entail upon such contracting party any obligation to go to war with the Power with whom such treaty of arbitration is in force.”

The reason for this section was that Great Britain wished to make it clear that under no circumstances would it be drawn into a war with the United States. Inasmuch, therefore, as it had negotiated a treaty of arbitration with the United States, its neutrality would be guaranteed in a possible Japanese-United States war by this clause. As a matter of fact the clause never became operative, for the arbitration treaty was “turned down” by the Senate in March 1912.

There is no doubt that the Anglo-Japanese Alliance of 1911 fulfilled its fundamental functions. It brought Japan into the war on the side of the Allies; it secured

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the Eastern possessions of the British Empire from hostile attack, save in a slight degree by Germany itself; it preserved the peace of the Far East. On the other hand, it gave to Japan the full opportunity for peaceful development and consolidation which she desired, and led to her taking her place as one of the five directing nations of the world in the Peace Conference of Paris. Only so far as China is concerned has its efficacy been doubtful. At a certain period of the war the Chauvinist party got into control in Japan, and the presentation of the famous 21 demands to China in 1915 was a deliberate step by that party towards the establishment of absolute political, military, and economic control over China by Japan. Fortunately the intervention of the British Empire, supported by that of the United States, secured the withdrawal of the more extreme demands, and the policy of subsequent governments seems to have been to restrain the Chauvinists' aspirations. But the action of some Japanese in China has admittedly been very objectionable, and there are those who declare that the chaos and disorder from which China now suffers is at any rate in some measure due to Japanese intrigue.

II

THE question now remains, should the Alliance be renewed?

Three great changes have come about in the conditions which produced the Anglo-Japanese Alliance in 1911. In the first place, the military and naval power of Germany has disappeared, and with it the menace to the freedom of Europe. The British Empire, therefore, is now free both to diminish its swollen expenditure on armaments and to distribute its military and naval forces more or less without regard to the European situation.

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In the second place, the Russian Empire has disappeared. Bolshevik Russia is still a menace to its neighbours, but its menace is due to propaganda rather than to military power. Japan, therefore, is confronted by no great military power which could possibly threaten her independence or development.

In the third place, the Treaty of Versailles and the constitution of the League of Nations has introduced a new principle into the conduct of international affairs quite different from that on which the Anglo-Japanese Alliance was based. The Anglo-Japanese Alliance was formed at a time when peace was maintained by the balance of power, and not by any collective attempt to bring reason and goodwill to bear on the solution of international questions. It secured the peace of the Far East by making it clear that anybody who interfered with it would have to meet the combined forces of the British Empire and Japan. The Covenant of the League of Nations attempts to substitute a new principle. It aims at the diminution of armaments among all nations. It attempts to obviate war by creating machinery under which all members of the League bind themselves, before taking military action, to submit their disputes to some kind of impartial and independent investigation. It recognises that peace and international freedom are the common interest of all nations, and through the machinery of the League endeavours to secure that the policy of all nations shall be directed in accordance with the common good of mankind, and not by a mere consideration of national interests. Finally, it makes both Japan and Great Britain members of the Council of the League, whose function it is to concert with the other powers the measures necessary to protect the peace and freedom of all nations, including those of the Far East.

These changes in the situation, however, have not wholly removed what was perhaps the strongest argument for the Alliance in 1911, namely, that it was to the interest both of Japan and the British Empire to be friends in the

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Far East, and that if there was no openly recognised and publicly defined treaty of friendship, there was risk of the two countries drifting into an attitude of suspicion and hostility to one another. The fundamental interests of the British Empire in the Far East are exactly what they have been during the last ten years. They are peace and security for British territory, good relations with all Far Eastern powers, the "open door" for trade with China, and the establishment of a capable and progressive Government in China itself. These objects have been, most of them, achieved—subject to the qualification mentioned above—by the Alliance in the past. Can they be best achieved for the future by its renewal?

Before an answer can be given in the affirmative, there appear to be two conditions which must be fulfilled. In the first place there must be a clear understanding between the British Empire and Japan, that Japan really wishes to establish a stable and independent Government in China, and is willing to live up to the principle of the "open door" for the trade and commerce of all nations within it. That Japan will always have a predominant position in China is certain. Her geographical position ensures this, provided that her policy towards China is benevolent and not rapacious. Nobody grudges her a position of exceptional authority and influence in China, but other nations could not acquiesce in her claiming for herself any exclusive privileges, and still less in her attempting to establish any direct or indirect authority over Chinese affairs. An essential condition of the renewal of the Alliance, therefore, must be that Japan accepts completely the policy of loyally endeavouring to set China on its legs, trusting to the advantages of her natural position to secure for herself the great economic benefits which will accrue to her from the development of China, and the legitimate influence in China which a benevolent Japan is bound to possess. The second condition necessary to the renewal of the Alliance is that it should not lead

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to misunderstandings or disputes with other powers. The real danger of renewal is that it may lead to a counter-balancing combination between China and the United States. Nothing could be worse for the future of the British Empire or Japan than that they should drift into a position in which they were placed in opposition to the United States and China. So long as both Great Britain and Japan loyally live up to the principles which originally underlay the Anglo-Japanese Alliance, and the Government of Japan sets its face resolutely against the policy represented by the 21 demands, there is nothing in the Alliance which is hostile either to the interests of the United States or of China. But the negotiation of an alliance between two powers which cannot fail to affect the interests and the future of its neighbours, is bound to arouse suspicion and possibly hostility, unless it is done with their knowledge and consent.

The conclusion, therefore, which we reach is, that before the Alliance is renewed, the whole Far Eastern question should be frankly and openly discussed, if possible at a conference at which the United States, Japan, China, Great Britain, Australia and New Zealand, Canada, South Africa, and India, and, if possible, France and Russia, should be represented. There is everything to be gained by a frank exchange of views on the Far Eastern situation between these powers, all of whom are more or less directly concerned. It might be that, as a result of such a conference, it would be possible to extend the scope of the Anglo-Japanese Alliance in such a way as to reach an all-round agreement in complete consonance with the Covenant of the League of Nations, which would have the effect of securing both to Japan and to the British Empire the advantages of the 1911 Alliance, with none of the disadvantages to which a precipitate renewal of this Alliance at the present time might lead. It might not only give security for the peace and the development of the nations of the Far East, but it might also lead to a better under-

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standing between Japan and the New World on such questions as immigration. On the other hand, if it was eventually decided to renew the Alliance, perhaps in the form of a treaty of friendship, it would have been made clear to China and the United States that its renewal did not threaten their interests, and was in no sense hostile to them, and the principal objection to immediate renewal would thus have been removed.

The question of the renewal will not be finally settled for at least another six months. For the League of Nations has to report on the question submitted to it, and the question must also clearly be discussed at the Imperial Conference which is to assemble some time before the middle of next year to discuss Imperial problems. The decision will carry with it far-reaching results for the future of all the nations concerned, and it is therefore important that people in every part of the British Empire should begin to consider the matter in order that when their representatives assemble next year with the object of arriving at a conclusion, they may have before them the considered judgment of the people of the Empire.

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I. THE POLISH LITHUANIAN DISPUTE

THE dispute between the Poles and the Lithuanians on the question of Vilna and the surrounding territory is of long standing. When the new Polish State came into being in November 1918, there was no clear understanding as to where the eastern frontiers were to be drawn. During the first few months after the Armistice Poland was busy organising her army and her administration, and had little or no breathing space with the Bolshevik armies in the neighbourhood of Brest-Litovsk and Byelostok. The Russo-Polish war was still in its early stages, neither side as yet possessing well-organised armies, but the Poles showed their military superiority in the steady advance eastwards, first to Vilna in April, and then to Minsk in August 1919. It was with the occupation of Vilna in April 1919 that the Polish-Lithuanian dispute came to a head. Lithuania claimed Vilna as her historic capital, Poland, as one of the chief centres of Polish culture, and the centre of a district from which many of the greatest names in her history had sprung.

When the German armies, in the course of the war, had occupied Lithuania, the German authorities had allowed a so-called National Council or Taryba to be formed. The Germans had only intended to give Lithuania a semblance of independence, their true intention being to germanise her as thoroughly as they intended to germanise Latvia and Esthonia. These plans came to an

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abrupt end with the defeat of Germany, which, in the case of Lithuania, was followed by the establishment of a National Government with its capital at Kovno. To the Lithuanians Kovno, a small provincial town without any claim to become a capital, was but a stepping-stone to Vilna. The disadvantage of Vilna as the capital, on the other hand, was its geographical position outside the strict boundaries of ethnographic Lithuania, and having a mixed Polish, Jewish, and White Russian population in which the Lithuanian element was the least important. It was inevitable, therefore, that the claims of the Lithuanians should bring them into conflict with the Poles, who, one and all, regarded the future Polish State as incomplete until Vilna had been incorporated in Poland in one form or another. Thus, as soon as the Polish army had advanced to the frontiers of ethnographic Lithuania, and had occupied the disputed area between Grodno and Vilna, hostilities occurred between the two sides. The Allies had to patch up the quarrel on two separate occasions by drawing temporary lines of demarcation, generally known as the Foch lines, the second line, extending a few kilometres north of the Grodno-Vilna railway, being that held by the Polish army until the summer of 1920.

With the Bolshevik offensive in June and July 1920, the situation was radically changed. The Poles were driven not only from Vilna and Grodno, but also from the district of Suwalki, which had been assigned to them by the Supreme Council in Paris as forming part of ethnographic Poland. At the same time peace was concluded between Soviet Russia and Lithuania, and was signed on July 12 at the height of the Polish retreat. By their peace with the Soviet Government, the Lithuanians were assigned not only the whole of the disputed area between Vilna and Grodno, including both these towns, but even the northern district of Suwalki. The Lithuanians, in return, pledged themselves to neutrality in the Russo-Polish war, but were obliged, through *force majeure*, to allow the Vilna-

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Grodno railway to be used by the Red Army for the transport of troops. The attitude of Lithuania during these weeks led to a violent torrent of abuse from the Poles, who accused the Lithuanians of abetting the Bolsheviks in their attempt to capture Warsaw and stamp out Polish independence.

By the middle of July the Polish armies rallied and began to drive the Bolsheviks back. Ethnographic Poland was cleared of the enemy troops with the same rapidity with which it had been occupied by them, and within a few weeks the Poles were again approaching the area in dispute between the Lithuanians and themselves. The Lithuanians had meanwhile occupied the whole of the territory assigned to them by their peace treaty with the Soviet Government, and with the advance of the Poles they became uneasy. On August 27 the Lithuanian Government sent a telegram to the Polish Government proposing that Polish troops should not advance in the Suwalki district beyond a line running through Grabowo-Augustowo-Sztabin. The Poles paid no attention to this message, and three days later crossed the Augustowo canal, attacking the Lithuanian troops stationed there. They then pushed on and occupied the greater part of the Suwalki district, including the towns of Suwalki and Sejny. During the next few days intermittent fighting occurred in this region, while the Allied Governments made attempts to mediate. It was not, however, until September 9 that both the Polish and Lithuanian Governments agreed to meet at Kalwarja in Lithuania in order to establish a new demarcation line. At the same time the Polish Government took the step of appealing to the League of Nations, while the Lithuanians suggested a conference in London.

On September 14 hostilities ceased on both sides, and on September 16 the Conference opened at Kalwarja. The Poles immediately presented the Lithuanians with an ultimatum demanding that the Lithuanian troops should withdraw from the whole of the Suwalki district. To this

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the Lithuanians replied that their troops would withdraw, but the intervening country was to be considered a temporarily neutral zone. The Poles refused this, and their representatives returned to Warsaw.

The next development in the tangled history of this conflict was the Ninth Conference of the Council of the League of Nations in Paris on September 20, where proposals were made to both sides for the cessation of hostilities in the disputed area. The Lithuanians agreed to adopt provisionally the line of the Supreme Council and withdrew their troops to the east of this line, while the Poles pledged themselves to observe the neutrality of the territory occupied by Lithuania to the east of the Supreme Council's, or, as it is sometimes called, the Curzon, line, on condition that similar neutrality was observed by the Lithuanians towards the Bolsheviks. Only two days, however, after the acceptance of this decision in Paris, hostilities again broke out by the unprovoked attack of the Poles on the Lithuanians at Kopociowo. The Polish excuse for this new attack was the necessity of occupying Grodno, an important junction, in order to break up Bolshevik concentrations against them. On September 25 Grodno was captured by the Poles, and the latter promised to evacuate the portion of Lithuanian territory which they had crossed in the course of their offensive. Whatever the reason, the Polish attack was a flagrant violation of the agreement made at Paris, and the Lithuanian Government made an appeal to the League, asking for an immediate meeting of the Council of the League to consider the new situation. This action, however, was rendered unnecessary by the Polish proposal to hold a conference with the Lithuanians at Suwalki, which was accepted by the latter.

On September 30 the second conference between the Poles and Lithuanians took place at Suwalki to discuss the question of a demarcation line. During the next week there were hot disputes about the line, and isolated cases of fighting occurred. Finally, on October 7, an armistice

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was signed and a partial line of demarcation fixed. A Commission of the League of Nations, which by this time had arrived at Suwalki, was preparing to map out the line farther east, in the direction of Vilna and beyond, but on October 9 Vilna was suddenly occupied by Polish troops under General Zeligowski in defiance of the orders of the Polish authorities. The troops which took part in the *coup* formed the so-called Lithuanian-White Russian Division, which had been fighting with the Polish army, and consisted of Poles from the districts of Vilna and Grodno. The Polish Government had given the Allies repeated assurances that Vilna would not be occupied by the Polish army, but Zeligowski and his followers broke away from the regular army and took matters in their own hands. ✕

Zeligowski's high-handed action placed all parties in an extremely difficult position. Warsaw made no attempt to conceal the universal feeling of satisfaction that Vilna was again in Polish, even though officially called rebel, hands. And yet the Polish Government could not give official countenance to an act which it had solemnly condemned in advance. The Allies could not help viewing the matter with profound suspicion, and, while acquitting Prince Sapieha, the Minister for Foreign Affairs, of any hand in the matter, they were, to say the least, doubtful whether other elements in the Government had not connived at Zeligowski's action. They could not, however, go farther than demand a statement from the Polish Government that the latter dissociated itself entirely from Zeligowski, for the matter was now in the hands of the League of Nations. The latter body was preparing to hold a meeting of the Council at Brussels, and it was agreed that the question should be dealt with there.

On October 27, the League of Nations gave its decision. It laid down as the basis for a settlement the acceptance of a plebiscite for the whole of the disputed area east of the line assigned to Poland by the Supreme Council in Paris, that is to say, roughly, the whole of the territory from

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Grodno through Vilna to Dvinsk. Provided both Governments consented within ten days the League would then take steps to disarm any troops in occupation of this area, so that the plebiscite might be held with the least possible delay.

We are still, therefore, at the time of writing, only on the threshold of a solution of this question. The plebiscite alone, even supposing that it can be carried out, will not provide a solution. Any frontier that may here be drawn will satisfy neither party, and will not lead to any improvement in their relations. It is a question whether it would not at this stage be more statesmanlike to view the present dispute as part of a larger question, not only concerned with the drawing of frontiers but with the regulation of the future relations between both countries. It is impossible to say what will be the relations of the three Baltic States to their great neighbour, or to what extent those relations will affect their independence, either in the economic sphere or otherwise, until we know what is going to happen to Russia itself. Esthonia and Latvia are linked up economically with her both now and in the future; much less so Lithuania. The latter is a rich but backward country. Her present position is not clearly defined, and until she can come to some stable agreement with Poland there is little security for her in the immediate future. Lithuania has in Memel a good port which, if she entered into some form of federation with Poland, would benefit greatly by the transit trade with her more powerful neighbour. By sinking her differences with Poland and taking a longer view of the future, not only would she obtain Vilna and the other territory she disputes with Poland, but would secure a speedy settlement which, recognised as it would be by the Allies, would enable her to devote her energies to economic reconstruction, the primary and most important task in the sorely harassed countries of Eastern Europe.

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II. THE LITTLE ENTENTE

THE old Austria has disappeared, but Europe has not been long in finding it necessary to invent a new one, or at least to bring into existence a combination of States which may easily grow into something like it. Passing judgment at this time of day, coolly and from a distance, on the movement for the destruction of the Austro-Hungarian monarchy, it is impossible not to remark that the nationalist passions which produced that great—and, let it be admitted, fated and inevitable—disruption were such as to blind the protagonists of the Succession States to its economic and politico-economic consequences. Austria-Hungary was a more or less compact economic unit; the two natural functions of Vienna, determined by its geographical position and a great and ancient tradition, were, first, that of grouping around itself a number of states too weak to stand by themselves, second, that of serving as the mediator—political, economical and cultural—between the Balkans and the West.

Two tendencies were fated to destroy the equilibrium these facts connote. The first was the inordinate ambition of Berlin, through which Vienna was seized upon as the outlet by which German expansion to the whole of South-Eastern Europe and beyond might be facilitated; the second was that considerable territories included in Austria and Hungary seemed destined to form part of neighbouring States, and to leave *terre irredente* on all sides—Slovakia and Transylvania in Hungary, Poland and Croatia in Austria. It was political foresight that lay behind the schemes of Franz Ferdinand; it was political foresight, and not merely cynicism, that prompted Konrad von Hoetzendorf, before the war, to urge the absorption of all the Southern Slavs. Considered from the point of view of

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human destiny, it was the tragedy of the Dual Monarchy that nationalist aspirations among its members were too powerful for the pillars of the edifice to resist, too weak to support them against pressure from Berlin. The foundations of the Confederation of Europe, particularly in the south-east, were never very stable. They began to yield when the Emperor Francis Joseph died, and now they have been swept utterly away.

The statesmen of Czecho-Slovakia, and in particular Dr. Masaryk and Dr. Benes, were the first to see the necessity of laying new foundations. Before the war ended and the downfall of Austria-Hungary came to be an accomplished fact they were at work. Plans were drawn up providing not merely for the economic independence of Czecho-Slovakia, but also for an eventual working agreement between the Slav States of the Dual Monarchy. The aim was at first purely political. It was intended to form a solid block of States stemming the German advance to the East. At the end of the war, however, several factors contributed to modify the exclusively anti-German character of this plan. The first was the perception of the fact that Czecho-Slovakia, nearly surrounded as she is by Germany, containing a considerable body of German population who looked towards Berlin far more than towards Vienna, could not afford to maintain a standing hostility to a German Government, even though supported by Yugoslavia and Rumania. Next, there was the problem of the "Anschluss." If, in accordance with the Treaties of Versailles and Saint Germain, Austria was not to join Germany, there must, it was seen, be an alternative. French policy was credited with the idea of making this alternative a confederation of all the Danubian States, with the addition, favoured by French Nationalists, of a Rhine-land Republic, creating a solid ring, at once anti-Prussian and anti-Bolshevik, round Germany. This has not found favour among the states who were expected to fit into the scheme. It has, for example, been declared impracticable

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by Dr. Benes ; there is little support for it in Rumania or Jugoslavia ; while, as for Austria, she may well have, in the course of the next few months, a plebiscite on the "Anschluss" question resulting in favour of adherence to Germany. That danger, however, is as yet too remote for all its implications to be realised, and Czech policy is up to the present favouring economic and political agreements with Austria.

The third factor, the most important of all, intervened about a year ago, to increase not only Czech-Austrian *rapprochement*—Dr. Renner's visit to Prague last December was the outward sign—but also that general sense of solidarity among the Succession States which was to lead to the Little Entente. That factor was, of course, Hungary. This country, in a fierce reaction against the horrors of the brief Communist *régime*, had developed a more intense and self-assertive nationalism than even she had manifested before. Such is the inextricable mingling of races on the Hungarian borders that full justice to Rumania and Czecho-Slovakia could only be secured by the withdrawal, in each case, of a large number of Magyars from the rule of Budapest. Magyar pride had never received such a blow, and a formidable military and political intrigue was the inevitable result. Under Admiral Horthy's command the Hungarian army regrouped itself ; it was, perforce, small, but it was loyal, well organised, and its three aims were the extermination of Communism within the boundaries of the country and without, the restoration of the Hapsburg dynasty within Hungary itself, and later perhaps elsewhere, and the eventual restitution to Hungary of her lost territories.

The Entente could not at first afford to contemplate this new development with anything but a certain guarded acquiescence. It is true that the Supreme Council issued an absolute prohibition against the re-establishment of the Hapsburgs, and that measures were taken to check the persecution of which certain fanatical officers under Admiral

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Horthy were guilty. But as long as the Hungarian army was efficient and loyal, there could be no repetition of the Bela Kun *coup d'état*; a second experiment of that kind would probably drag Austria, Rumania, and Czecho-Slovakia down in the general ruin, and this was for a time, as the Hungarians well knew, the chief preoccupation of the statesmen of the Entente. The incalculable perils which might arise out of a Bolshevised Hungary could not be risked, and the result was a certain tolerance of Hungarian jingoism. During the conferences in which the Peace Treaty with Hungary was discussed it looked as if this tolerance might extend to the political and military terms of a settlement. There was naturally enough great alarm in the countries which stood to gain most from the peace; Czecho-Slovakia, Rumania and Jugoslavia stood shoulder to shoulder; they pressed their claims in common, they presented their views in joint memoranda. Their solidarity had its reward; the claims of each were satisfied practically in full.

But the necessity for co-operation did not disappear when the Treaty of Trianon was agreed upon and signed. The Russian Bolshevik menace seemed likely to provide another opportunity for Hungary to evade her obligations. There were disquieting rumours of commercial concessions to the French in Hungary, of Hungarian willingness, on conditions, to take the field with Poland, while in return she was to receive permission to increase her army, and a promise of political influence with a view to the modification of the most oppressive territorial terms of peace. The three Succession States were by this brought together again. Czecho-Slovakia took the lead in announcing her neutrality in the Russo-Polish dispute, the first plain intimation of independence. In July, during the Sokol festival in Prague, there were unofficial conversations between Czech, Rumanian and Jugoslav politicians. These were followed by a visit of Dr. Benes to Bucharest and Belgrade. The foundations of the Little Entente were laid. On his

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return to Prague on September 1, Dr. Benes made the following statement :—

The establishment of the Little Entente aims at calming the turbulence and nervousness of Europe, and above all at ensuring guarantees of peace. The states forming part of the Little Entente share a desire for peace with Hungary. But the social structure there, her system of government, her methods of warfare, not having undergone any change, her neighbours find themselves constantly threatened with aggressive action on the part of Magyar rulers. This has led to the union of these states, with the object of common action to enforce the execution of the Treaty of Trianon and to secure peace in Central Europe. The Little Entente also aims at making the restoration of the monarchy impossible. If Europe is to be saved from disintegration it is essential that Czecho-Slovakia, Rumania and Jugoslavia shall establish a community of interests and a common policy. Germany, though occupied with healing the wounds of war, is determined to intervene in international affairs at the first favourable moment, and with all her strength.

The *rôle* of traveller in the interests of the Little Entente was next taken up by M. Take Jonsescu. This far-seeing statesman seemed to have allotted himself the double task of making the understanding much wider than Dr. Benes had evidently contemplated, and secondly, of bringing it more into line with the policy of the Great Entente. In a speech made in the Rumanian Chamber of Deputies, during the discussion of the Treaty of Trianon, M. Take Jonsescu said :—

Dr. Benes, Foreign Minister of Czecho-Slovakia, has proposed an alliance to Jugoslavia. Greece is already bound to Jugoslavia by a treaty of alliance, and the existing relations between Czecho-Slovakia and Poland constitute the basis of an imminent understanding.

At Aix-les-Bains, after his conference with Signor Giolitti, he gave the following statement to a representative of a Marseilles paper :—

The Little Entente, which at present comprises Czecho-Slovakia and Jugoslavia, ought to embrace—and for my part I shall spare no efforts to attain this object—Poland, Czecho-Slovakia, Rumania, Jugoslavia and Greece; that is, all the victorious states from the Baltic to the Ægean. To those who can calculate this connotes 80,000,000 inhabitants, and if need be 10,000,000 soldiers.

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In Paris and London the same idea was developed. As for the suggestion that the Little Entente was originally prompted by anti-French motives, by a desire on the part of the small states to free themselves from Western tutelage, M. Take Jonescu will have none of it. On the contrary, as he explained in a most comprehensive interview given to the newspaper, *Paris-Midi*, of October 5, he counted on France as the "most powerful lever" for bringing Poland into the alliance. Of Italy, whose ultimate friendly agreement with Yugoslavia he predicted as quite certain, and of England he was sure. "The five states," he said, "whose union I foresee, form a barrier from the Baltic to the Mediterranean, and this is the counterpart of the rôle played by France and her allies in the West. The Little Entente, founded in order to obtain respect for the five treaties signed in France, will model its policy on that of the other allies. If the case were otherwise it would not exist for a week."

It is when we read words like these—and M. Jonescu has made many similar statements in the last few weeks—that the practical difficulties begin to impress themselves on one's mind. If there has been no serious conflict in words, there has at least been a certain tacitly admitted conflict in policy. The silence of Dr. Benes has not accorded on certain points with the speech of M. Take Jonescu, and one cannot avoid inclining to the opinion that the Little Entente of the one is different in character from the Little Entente of the other. Even should there be a reconciliation between the respective ideals of the two statesmen, should, that is to say, the exclusively anti-Magyar character of Dr. Benes's scheme so widen as to accommodate itself to the larger ideal of M. Take Jonescu, there is no guarantee that such a compromise would represent the views of the peoples concerned. A Yugoslav paper has spoken of the Little Entente as having been formed without the approval of France, or perhaps even against it, while all M. Take Jonescu's interviews and assurances in

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Italy have not wholly succeeded in reconciling Italian opinion to this new combination of states.

Let us, however, imagine these external difficulties overcome ; let us imagine the praiseworthy endeavours of Dr. Benes and of M. Take Jonescu, loyally supported by M. Venizelos, to have reached their goal—the formation of a defensive understanding between Czecho-Slovakia, Rumania, Jugoslavia and Poland, perhaps also Bulgaria, with Austria a well-disposed but rather timid onlooker, and Hungary outside, reduced to sullen impotence ; let us imagine finally this comprehensive Entente serving as the instrument or advance guard of the Western Entente in South-Eastern Europe and the Balkans. At present the assumptions are considerable, but we can fairly make them for the sake of argument, since they are all implied in recent declarations of leading Rumanian, Czecho-Slovakian and Jugoslav statesmen. The most enthusiastic well-wisher to the Succession States of the Dual Monarchy will not fail to see in such an extensive Entente a heterogeneity of aims and interests which may well prove fatal. Serbia and Greece can perhaps compose their differences. The peace can perhaps be made slightly more tolerable for Bulgaria ; the difficulty of the Banat can perhaps be got successfully out of the way. But these are comparatively small matters. A more serious difficulty would be Poland's desire for a common frontier with Hungary ; most serious of all would be, obviously, the obligation on each member of the Little Entente to guarantee the boundaries of all the others. It may be said that this is not an essential feature of the terms of alliance, but it is clear that any agreement which did not include such a clause would really not be of much use to Czecho-Slovakia or Rumania, or offer much attraction to Greece or Poland. Such an undertaking would not have been an impossibility had greater moderation been shown in the drawing of the various boundaries. The original members of the Little Entente might well ask themselves whether they were to

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be bound to defend the integrity of the Peace of Riga, while Poland in her turn could fairly enquire whether she should be expected to assist in the absolute maintenance of the territorial terms of the Treaty of Trianon, and if so, why.

It is on such rocks as these that the Little Entente of M. Take Jonescu's conception appeared doomed to suffer shipwreck, at least until Magyar nationalism shall have reconciled itself to the terms of peace, in the absence of any opportunity for revising those features of recent peace treaties which experience may have shown to be ill-advised. Until that time comes, the alternative seems to lie with Dr. Benes's limited Entente, or no Entente at all. If there is no Entente there is nothing more certain, in the opinion of the Greeks and Rumanians, than that Hungary will make a determined attempt to get back her territories, or in some other way keep South-eastern Europe in a state of alarm. In spite of reactionary tendencies in Budapest and the admitted difficulties of bringing Hungary to reason by a blockade or a threat from the Western Powers, it is clear that no plan of obviating this can be considered as more than the first step to something bigger, more broad-minded, less reminiscent of the old antagonisms and the exclusive alliances we thought we had left behind. A mere military compact will not do, least of all in this quarter of Europe, which is starving and dying because of the manner in which racial boundaries have been turned into commercial barriers.

Then there is the question of the consistency of a proposal involving a limited military convention between a small number of interested states for the preservation of the territorial settlement, with the new order of things on which so many hopes are fixed. It may be suggested that it is unjustifiable to make any such arrangement, and that the only real guarantee is to be found in the united responsibility of the Great Powers by whose decision these frontiers were determined, and ultimately of the League

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of Nations. Before, however, we pick up any such stone to throw at the Little Entente, it is only fair to face the facts as they are, and not as they ought to be. Let us suppose that the apprehensions by which Dr. Benes is influenced, and doubtlessly genuinely, are realised. Suppose that the Magyars made an attack either on Rumania or on Czecho-Slovakia, and attempted to win back by force some of the districts of which they have been deprived. We should get then a case of the violation by force of a solemn international compact. What then would be the position of the Powers and of the League of Nations? Hungary, it must be remembered, is a country difficult to deal with. It has no sea-port, and therefore it is not easily accessible for British or French forces. It is a food-exporting country, and, as has recently been shown, the weapon of the blockade cannot be easily used.

Again, the peoples who would subscribe to the Little Entente do not live on an island, but close up against the trouble that they have to guard against. America still stands aloof from Europe, and while Russia is outside the family circle of nations, any lasting arrangement with regard to the reduction of armaments is out of the question. With so much uncertainty, sometimes accentuated by differences among the Allied Powers themselves, it cannot be a matter for surprise if the promoters of the Little Entente feel that until the situation improves, their safety demands that they should be in a position to look after themselves, and not trust exclusively to an outside protection, which may or may not be forthcoming in the hour of need. Nor can anyone blame such an attitude. It was never, indeed, intended that the small states should not do their part in defending the common settlement, and it is understood that their arrangements will be put before the League in the manner prescribed in the Covenant. Certainly we, who have shortly to consider whether the Anglo-Japanese Alliance is to be renewed or not, should think twice before condemning their proposals.

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About the benefit of an economic understanding no one could have any doubts. So far there has been little indication of an economic side to the Little Entente, but in the present state of Europe, a policy stands self-condemned that does not take economic facts into account. From the military point of view a boycott of Hungary is feasible, in certain circumstances perhaps even desirable ; it can probably be maintained as a threat so long as there is personal contact between certain selected politicians of the various countries concerned in it. But elections and other political vicissitudes have their victims, and Europe seems to demand something much more than a mere military and political boycott. It demands co-operation, inter-state organisation. From such a new combination of states it will be neither wise or ultimately possible to leave Hungary out. A new boycott of Hungary for political reasons, undertaken by a group of states on their own responsibility, would be as great a fiasco as the boycott of a few months ago, when the only effect of that lamentable affair was to retard Austria's recovery from her state of semi-starvation. To leave Hungary out of account or obtrusively to make anti-Magyar policy the only motive behind a new alliance, is to risk undermining Hungary's ability to contribute to the revictualling and reconstruction of Europe, and, secondly, to drive her, with Austria, by force of circumstances, on to the side of Germany. That rearrangement completed, the old *Drang nach Osten* would begin all over again, more powerfully than ever. When the alliances and agreements of the Little Entente have been submitted to the League of Nations, and brought into harmony with the Covenant, the Little Entente may justify itself as the preserver of peace in the most dangerous corner of present-day Europe ; more, it may prove to be the forerunner of a rational organisation at a point where Europe must organise itself rationally or die.

NOTE.—Since the above section was written, Hungary has signed the Treaty of Trianon and the actual text of

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the Treaty between Rumania, Czecho-Slovakia and Yugoslavia has been published. It runs as follows :—

1. In case of unprovoked attack on the part of Hungary against one of the contracting parties, the other party pledges itself to come to the assistance of the party attacked, in accordance with the arrangements set out in Part 2 of the Convention.

2. The competent authorities of the two countries will decide together the necessary measures for the execution of this Convention.

3. Neither of the contracting parties may conclude an alliance with a third power without previously informing the other party.

4. The Convention shall be valid for two years, after which each contracting party shall be free to denounce the Convention, which will remain valid for a further six months as from the date of denunciation.

5. The Convention shall be presented to the League of Nations.

6. The Convention shall be ratified, and the ratifications exchanged at Belgrade with the least possible delay.

III. THE GERMAN SOCIALISTS AND THE THIRD INTERNATIONAL

IT is a natural result of the war and its sequel that men have acquired the habit of looking for what is violent, abnormal, catastrophic. In quieter and happier times, even when there were ahead of us difficulties, whether political or social, we always assumed that in one way or another they would be got over, that the world would pursue its normal course, and that society would be able to deal with each particular problem as it might present itself. We no longer have the same confidence. This change in our intellectual condition affects particularly our attitude towards the German problem, just as it affects

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the anticipations which the Germans themselves make of their own future. It is difficult to believe that nothing sensational will occur. And so reports constantly come to us from Germany from those who anticipate, or pretend to anticipate, some new rising, whether of the reactionaries or of the communists, some further step in the Revolution, some renewed civil war. But for many months we have had these anticipations, and they have been falsified, and looking back at the Kapp "Putsch," which took place over six months ago, we may surely say that its failure was more immediate and its results less catastrophic than many would have anticipated. It would, we think, be a serious error to attach too much importance to sensational reports from whichever side they may come. There are, indeed, plenty of centres of unrest; Berlin and the Ruhr Valley on the one side; Bavaria and East Prussia on the other; and so long as the Silesian problem remains unsettled, this district, which is of great importance to the economic future of the country, will probably be the source of trouble. But the conditions in Germany, on the whole, appear not to be of such a kind as to conduce to violent disturbances. This is not the form which the present disease will take. Rather we have to do with a country which is exhausted, disheartened, tired out, and in which, in consequence, the vital energy, the organising capacity, the decision in action necessary for any serious rising, whether monarchists, military or communist, is wanting. What the great mass of Germans desire is not disturbances, but rest—rest which will give the much needed opportunity for recuperation, for the recovery of vital tone, for occupation with the practical problems of the future. Undoubtedly the winter will be a hard one; there will be in Germany, as elsewhere, much unemployment, and where there is unemployment, there is always rioting and disorder, but it is a long step from local riots to an organised attempt to overthrow the Government.

Much the most interesting event which has taken place

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during the last months is the discussion in the Independent Socialist Party on their relations to the Bolshevik Government, and the consequent division of the Party. This is an event of the highest importance in the development of German Socialism, and, in view of the very large number of adherents to the different Socialist factions, anything which affects the future of the Party must seriously influence not only Germany, but also Europe. The situation is one which opponents and critics of Socialism might, were not the interests involved so serious, watch with amused detachment. The difficulties in which the party are involved are not new. The opposing influences are similar to those which had shown themselves for twenty years before the war. It is the great misfortune of Germany that when the working-man took advantage of the establishment of universal suffrage, they were from the beginning entangled in and dominated by the Marxian theories, theories which, if carried out to their logical conclusion, would be completely subversive not only of the economic, but also of the political basis of modern society. But a party which eventually became the strongest in the country could not continue to see its activities limited by the strict tests of orthodoxy to a highly doctrinaire theory of life and society. It was inevitable that, as the party gained in numbers, in power, and in influence, the younger generation tried to free themselves from their bondage, and they did so in the manner of which we have so many examples in ecclesiastical history: while continuing to profess complete orthodoxy, they put forward a new interpretation of their creeds and formulas. The chief practical point at issue between the different sections of the party was the question how far co-operation with, what in the party jargon, they called the *bourgeois*, for the practical improvement of the position of the working-classes was permissible. The true and convinced Marxian would no more associate with the *bourgeois*, even for the attainment of practical results of the highest importance, than an early

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Christian would offer incense on the altar of the emperor. It is needless to tell again the oft told story of how, at the beginning of the war, the great bulk of the Socialists gave their support to the Government, while, as it progressed, a considerable section, including some of the most influential leaders, broke off and founded another party, the Independent Socialists. Those who have some acquaintance with German political history, which, indeed, in this matter does not differ materially from that of other countries, will easily understand that the two Socialist parties show, in their relations to one another, more animosity than they do towards those to whom they are both equally opposed. For a short time after the Revolution, indeed, they coalesced and shared the Government between them, but after a few weeks, differences arose, and the Independent Socialists withdrew. As a result of the elections of last June, the Majority Socialists also ceased to take part in the Government. They have been standing aloof, watching events, but there can be little doubt that sooner or later a new coalition will be made, of which they will form part.

At the last elections, the Independent Socialists won a great access of strength, but their position has not been an easy one, for on the Left they are subjected to the competition of the Communists, who are admirers and imitators of the Bolsheviks, and who are prepared to adopt and carry out the full programme of the dictatorship of the proletariat. The form in which the decision as to the future of the party has to be made is the adherence to what is called the Third International. An explanation of terms may be useful. The First International was that created by Karl Marx and Frederic Engels, which came to an end owing to the war of 1870. This was succeeded by the Second International, founded in 1889, which was a loose federation of the Labour and Socialist Parties of nearly every civilised country. Periodical meetings were held every three years, and an International Bureau was

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formed with an executive committee sitting at Brussels. One of the chief objects of this organisation was to discuss and determine the attitude of the Socialists in the event of an outbreak of war; this is a matter on which in fact there was a great difference of attitude both between different countries and different parties in each country, and the outbreak of war naturally intensified this difference of view. There was, in fact, a radical divergence between those who recognised the paramount obligations of international allegiance and those more extreme parties who were prepared to carry to the logical conclusion the fundamental Marxian antagonism to the State. During the war attempts were made to renew co-operation between the Socialists of different countries in conferences held at Zimmerwald and Kiental, but they ended in widening the breach between the two tendencies, the revolutionary and the patriotic, a breach for which the Russian extremists, under the leadership of Lenin, were specially responsible. Then, as always, they insisted on the acceptance of the full Marxian doctrine, denouncing equally the "Social Nationalists" and the "Bourgeois Pacifists." The tradition of the Second International was, however, maintained at a series of meetings which were largely attended by the reformist and more moderate Socialists, as at the Berne Conference of February 1919, and the Lucerne Conference of August 1919, and a permanent Commission was appointed in Holland which, though not officially an organ of the Second International, aims at maintaining its traditions.

As soon as the Bolshevik Government had been established in Russia they used their position to carry on with great vigour, energy and bitterness their campaign against the more moderate exponents of Marxism, and as a part of this campaign they proceeded to establish what is now called the Third International. An invitation was sent out in January 1919 in the name of the Russian Communist Party to all revolutionary Labour and Socialist organisations which were in sympathy with the aims of communism, to

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meet in conference and to form a communist International. The conference was actually held in March 1919. It was attended by representatives of the extremists from about fifteen countries; there were none from France, Great Britain or Italy, none, officially accredited, from America, and the conference had no claim to be regarded as in any way representative. None the less they drew up the constitution of the Third, or Moscow International, and prepared a programme—a programme which is based on the complete and absolute adoption of the Bolshevik tenets.*

From this time the adherence to the Second or the Third International has become the dividing line of Socialists in every country. During the month of September 1920 the Independent Socialists of Germany enquired as to the conditions for adherence to the Moscow organisation. The answer was given in a very remarkable document which deserves study in detail; we quote some of the more important paragraphs :—

1. The daily propaganda and agitation must be definitely Communist. All the party organs must be edited by positive Communists, having given proofs of their devotion to the cause of the proletarian revolution. It is not sufficient to speak of the dictatorship of the proletariat as of a recognised and understood formula; it must be propagated in such a way that the need for it is made clear to every workman, soldier and peasant from the facts of their daily life, which must be systematically noticed in our Press. In the columns of the Press, at public meetings, in the Trade Unions, in the Co-operatives, everywhere where the adherents to the Communist International have access, they must attack, systematically and implacably, not only the *bourgeoisie*, but also its accomplices, the reformists of all shades.

2. Every organisation wishing to affiliate to the Communist International must regularly and systematically remove all reformists and "centrists" from all posts, however little responsibility they involve, in the working class movement (Party organisations, editorships, Trades Unions, Parliamentary sections, Co-operatives,

* This account is based to a large extent on *The Two Internationals*, by R. Palme Dutt.

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municipalities), and replace them, especially at first, by experienced militants, and by workers risen from the ranks.

3. In all countries where, in consequence of a state of siege or emergency laws, the Communists are unable legally to develop all their activities, it is absolutely necessary that legal action should be accompanied by illegal action. In nearly all the European and American countries, the class-struggle is entering upon the period of civil war. Under these circumstances the Communists cannot depend upon *bourgeois* legality. It is their duty everywhere to create, side by side with the legal organisation, a secret organisation, capable of fulfilling at the decisive moment its duty towards the revolution.

4. Propaganda and systematic and increasing agitation among the troops must be carried on. A Communist nucleus must be formed in every unit. The greater part of this work will be illegal; but to refuse to do it would be a betrayal of revolutionary duty, and consequently incompatible with affiliation to the Communist International.

7. The Parties wishing to belong to the Communist International must recognise that it is necessary to have a complete and definite rupture with the reformists and with the "centrist" policy. . . . The Communist International insists upon this rupture, absolutely and without discussion, and it must be carried out as quickly as possible.

9. Every Party wishing to belong to the Communist International must carry on persistent and systematic propaganda inside the Trade Unions, the Co-operatives and other working class organisations. Communist nuclei must be formed, whose constant and persistent work will win the Unions to Communism; . . . These Communist nuclei must be completely subordinated to the general control of the party.

10. Every Party belonging to the Communist International is bound to fight energetically and tenaciously the yellow "International" of the Trades Unions founded at Amsterdam. On the other hand it must support with all its strength the International Union of Red Trades Unionists adhering to the Communist International.

11. The Parties desiring to belong to the Communist International are bound . . . to demand from every Communist Parliamentary candidate the subordination of all his activities to the real interests of revolutionary propaganda and agitation.

12. The whole of the periodical or other Press and all the editions should be entirely subordinated to the Central Committee of the Party, whether the latter is legal or illegal. . . .

13. The Parties belonging to the Communist International should be formed on the principle of democratic centralisation. During

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the actual period of acute civil war the Communist Party will not be able to fulfil its *rôle* unless it is organised in the most centralised way, with an iron discipline similar to military discipline, and unless its central organism is furnished with wide powers, exercising an undisputed authority, enjoying the unanimous confidence of the militants.

14. The Communist Parties of countries where the Communists may carry on their work lawfully, must periodically weed out (by re-registration) the personnel of the party organisations, in order to clean the party systematically from all the petty *bourgeois* elements which inevitably creep into it.

15. The Parties wishing to belong to the Communist International must support without reserve all the Soviet Republics in their fight against the counter-revolution. They must unceasingly advocate the refusal of the workers to transport munitions and arms destined for the enemies of the Soviet Republics, and to pursue, either legally or illegally, propaganda amongst the troops sent against the Soviet Republics.

16. . . . It is necessary that the programme of the parties affiliated to the Communist International should be confirmed by the International Congress or by the Executive Committee. In the case of the refusal to sanction a Party by the latter, the Party has the right to appeal to the Congress of the Communist International. . . .

17. All the decisions of the Communist International Congress, as well as those of the Executive Committees, are binding upon all the Parties affiliated to the Communist International. Acting during the period of acute civil war, the Communist International must be much more centralised than was the Second International. . . .

18. In conformity with all that precedes, all the Parties affiliated to the Communist International must alter their names. Every Party desiring to adhere to the Communist International must be called: "Communist Party of . . . (Section of the Third Communist International)" . . .

That which will at once strike the reader, as it struck the German Socialists, was the authoritative tone; as many critics observed, Moscow spoke with the voice of Rome. They had before them a Papal allocution; the German Socialists were not invited to join in the establishment of a new international organisation in the framing of which they would take an equal part; they found themselves confronted by an institution already founded, and

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they were informed that they could not be admitted to join its ranks unless they were prepared to accept the whole of its programme without modification. And the programme is indeed a remarkable one. By adhering to it they would pledge themselves to a course of action which must, if carried out in practice, inevitably bring about war with the other European States. They must support all Soviet Republics in their fight against counter-revolution. And the means by which they are to do so are to refuse the transport of munitions and arms, and to carry on legal and illegal propaganda against the troops sent to fight the Soviet Republics. We have only to recall the situation which existed a few months ago when the Soviet troops were invading Poland, to understand that if this programme were in fact to be carried out, it would mean fighting on the side of Russia against not only Poland, but not improbably France and other Western European countries. It implies full support to the Soviet Government in its attempts to overthrow the British domination in Asia. It is not surprising, having regard to the present position of Europe, that even many among the most advanced Socialists would look with some concern on proposals of this kind. They would be less concerned with the pledge to resort to illegal action in their domestic activities, though those who considered the position of Germany at this moment, might well hesitate before committing themselves to beginning what is avowedly to be a new civil war.

Issue was joined at the Party Conference which was held at Halle on October 16. It is characteristic that at this meeting of a German political party to discuss their own policy and programme, there were present representatives of Russia who, in very lengthy speeches, used the opportunity to impose their will. The opposition was led by Crispian and Dittman, who had recently been in Russia, and presented a report commenting very unfavourably on the conditions in that country and on the Bolshevik

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Government, a course which had brought upon them the virulent abuse which the Bolsheviks pour upon any Socialist who dares to differ from them. They were, of course, held up to reprobation as *petit bourgeois*. The result of the meeting was that 237 of the delegates present voted for adhesion to the Moscow International and 156 against. The vote was at once followed by a formal division of the party. Crispian declared that those who had voted for the motion had ceased to be members of the party inasmuch as it was inconsistent with their agreed programme, and with his adherents left the room. Though they were in a minority at the meeting, they included a considerable majority of the leaders of the party and of its representatives in the Reichstag. The situation, in fact, seems to be that even among the Independent Socialists there is a considerable majority of the thinking and responsible leaders who are strongly opposed to Bolshevism, but that, for many reasons, the chief among which must be reckoned the lamentable economic condition of the country, the extremer view has won partisans among the less responsible rank and file.

There is naturally much speculation as to what will be the political future of the dissentients. The natural course might appear to be that they should join the Majority Socialists ; but the intense passion which the events of the last six years have aroused makes this very difficult for them, and whatever the formal decision of the leaders may be, there can be little doubt that the result will be very much to strengthen the Majority Socialist Party in the country.

The fate of the victors in the conflict is, however, not free from difficulties and dangers. They are bound now to unite with the Communists, for it will be remembered that it is one of the canons of the leaders to whom they have now vowed allegiance that they shall take the name of Communists ; it is, therefore, interesting to notice that Zinoviev himself, who was present at the meeting as a

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legate *a latere*, himself advised them for some time to postpone this step ; we may assume that he has sufficient knowledge of Germany to know that the more the extreme programme is intensified, the more likely it is to be looked on askance by the great majority of working-men, with whom, in the last resort, the decision lies. For all accounts show us, as we might indeed have anticipated, that except for some cliques of extremists led by foreign agitators in certain districts, such as Berlin and the Ruhr Valley, the German working-man is not prepared to follow the example of Russia. Ultimately the result of any violent action by the Communists would certainly be to arouse a united opposition throughout the whole of the country, which would render the movement futile. Few can believe that it will have any hope of ultimate success, but there would undoubtedly be a danger that a new explosion of the kind which they seem to desire would complete the ruin of the whole country.

It is this which gives strength and support to the definitely anti-communist movement of which, during the last few months, Bavaria has made itself the centre. South Germany in these matters is very different from North Germany, chiefly, it may be suggested, because the South German States had experience of a moderate constitutional Government with a fairly extended franchise and liberal constitutions for nearly one hundred years. Let us never forget that the constitutions of Bavaria, Baden, and Württemberg do not date, as does that of Prussia, from 1846, but from the years immediately succeeding the Napoleonic campaign. Here, also, the Government has never been identified with the extreme principles of military reaction associated with Prussia. It is the strongest testimony to the beneficial effects of liberal institutions to find that, as a result of this, Socialism itself has lost its extreme virus when transplanted to a different soil. The more virulent forms of Socialism in Germany, as in Russia, have sprung from, as they are the antithesis of,

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the military monarchy which they would overthrow. But it is the curse of arbitrary government that it propagates in its antagonists the spirit by which it itself exists. It makes impossible that spirit of moderation, common-sense, conciliation, charity, and kindliness which is so essential for the conduct of human affairs. It is not surprising, therefore, to find that in Württemberg and Baden, the two most democratic States in Germany, Socialists have for some years taken part in the actual administration of the State and of the cities, and that co-operation between them and the old-established Liberal parties has been found possible. It is, of course, this co-operation which, above all, Lenin and his disciples abhor. In their category of abuse, which is a large one, no word equals the contempt with which they associate the name of *petit bourgeois, kleinbürgerlich*.

It is from Bavaria, however, that the most forcible opposition is threatened. The whole position of Bavaria at the present moment is intriguing. After the experiences in the early days of the Revolution, the great mass of the population is confirmed in their determination not to have anything more to do with the Bolsheviks or their imitators. But as a result of these experiences they are convinced that the only means of safety is that the population, peasants and others, should have in their own hands the arms with which to defend themselves against a rising in the country or an attack from the Socialists of the north. The Bavarians, therefore, supported by their Government, have categorically refused to surrender their arms. This has nothing to do with international politics. They wish to keep them, not to fight the Entente, but to protect themselves against their domestic enemy. But by taking this course they are, in fact, refusing to carry out one of the most important articles of the Treaty of Versailles. What then will be the result of a Bavarian refusal to carry out orders issued from Berlin?

There is much talk at present of Bavarian separatism,

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and one sees many suggestions that Bavaria would desire to break off altogether from the rest of Germany. It is indeed true that the programme of the People's Party, headed by Dr. Heim, would seem ultimately to lead to some such conclusion, and any attempt to impose upon Bavaria Socialist institutions originating in Berlin might lead to an open conflict. At present it appears as if the Berlin Government, aware of the danger, is humouring the Bavarians. We hear, for instance, that there is in project a very remarkable proposal to establish at Munich a diplomatic representative of the *Reich*; this seems to be completely at variance both with the text and the spirit of the existing German Constitution. It would be as absurd as to appoint to Dublin a diplomatic representative of the United Kingdom. Friction has also been caused by the extension in other parts of Germany of what is called the *Orgesch*, a society founded by a certain person of the name of Escherich, for maintaining a kind of an armed police. The truth seems to be, however, that Bavaria is making herself the centre of the anti-Bolshevik and anti-Socialist movement which is sure to arise somewhere or other in Germany; the strong Catholic sentiment, the large number of small landed proprietors, and the strong local spirit by which Bavaria has always been animated, naturally point to this state as the opponent of the tendencies which emanated rather from Berlin. There are also, no doubt, in Bavaria many who would like to see a restoration of the Monarchy, and there would be no place for a monarchical Bavaria in a republican Germany. The opposition of policy may, if things are not carefully handled, lead to a formal breach, but even if they did so, it would probably only be temporary, for the very close economic connection between Bavaria and the rest of Germany, which has gone on ever since the establishment of the *Zollverein*, and the extension to Bavaria of the social and other legislation of the Empire, would make permanent separation extremely difficult.

UNITED KINGDOM

I. THE COAL STRIKE

ON October 16, a national strike of members of the Miners' Federation of Great Britain began. It came to an end on November 4. Between those two dates the British Labour organisations had an opportunity, if they cared to take it, to make an experiment in the use of the general strike as a possible means of securing the sudden overthrow of the existing social system. The experiment was not made. No one, therefore, can say with confidence whether it would have succeeded or failed. All that can be said, with any degree of conviction, is that Labour did not attempt to make it because the responsible leaders of Labour foresaw that its success or its failure would be equally disastrous to those whom they led.

In a remarkable way the course of the coal strike of 1920 followed that of the railway strike of 1919. It began rather unexpectedly after protracted discussion of long-standing claims. It led to a situation which contained potentially all the conditions favourable to a revolutionary *coup*. And, just at the moment when it reached that stage, its settlement by round-table negotiation became most assured. It was settled, as the railway dispute was settled, on terms which implied far more than they expressed. The mine-owners surrendered something. The Government surrendered much. The miners surrendered something, but not much. The only party to the dispute which did not give away anything was the general public, including the main body of organised Labour. The public demonstrated once more its wonderful capacity for keeping calm

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in emergency, and the trade union movement as a whole proved once again that it is essentially unrevolutionary. While the national organ of trade unionism—the Trades Union Congress—claimed the right to make its voice heard and its will felt, it showed in the clearest possible fashion that it is not disposed to lend itself to mad-brained attempts to assert its will by force, so long as it can gain the same end by more or less peaceful persuasion.

In order to understand the real meaning of the dispute it is necessary to recall some of the events which preceded it; and the first of these is the refusal of the Government to nationalise the mines. This, and the subsequent refusal of the Trades Union Congress to embark on a policy of direct action for the enforcement of nationalisation, form the starting-point of the trouble. On March 11, before the Congress rejected direct action, Mr. Frank Hodges (Secretary of the Miners' Federation) warned the delegates that, if they declined to support the miners in their political demands, the miners would have no option but to plunge into the vortex of "wages, wages, wages." Within twenty-four hours of that statement the miners formulated a new wage demand. They obtained what they claimed. Two months later the Government not only passed the cost on to the consumer, but took the occasion to readjust coal prices in a way which could only be interpreted as a preliminary step towards the removal of State control over the mining industry. To the miners, the 14s. 2d. a ton added to the price of domestic coal on May 12 was tangible evidence that the Government intended, by making all sections of the coal trade self-supporting, to pave the way for the complete cessation of government interference with the conduct of the mining industry and for the carrying into execution of the modified "Whitley Councils" scheme embodied in the Mining Industry Bill then before Parliament. Now the miners, much as they disliked the system of "bureaucratic" government control, believed that it might usefully be maintained as a half-way house

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to government ownership and "democratic" control. Government control meant pooling of profits, and an equalisation of the ability to pay good wages as between the profitable and the unprofitable coalfields. Removal of control would mean a reversion to the old system whereby wages were fixed and adjusted on a local, as distinct from a national, basis. Any action which would compel the Government to adhere to the wartime and post-wartime practice of fixing and adjusting wages nationally would incidentally compel the Government to defer the evil day of decontrol; in other words, a new national wage claim, strongly pressed and finally conceded, would entail the indefinite retention of a stepping-stone to nationalisation. Thus it came about that the miners replied to the move of the Government, when it increased the price of coal, by putting in demands not only for the removal of that increase, but for a substantial advance in wages. At the conference which formulated this demand a resolution in opposition to the Mining Industry Bill was adopted, and in the discussion on it Mr. Robert Smillie (President of the Miners' Federation) is reported to have said:—

The Government and the coal-owners ought to know that in the event of the Bill becoming law, the Federation would be bound to assist any district by a general strike to prevent any reduction of wages. It was proposed to set up under the Bill a system which would make reductions in wages in some districts inevitable, and that would certainly be followed by a general strike of the Miners' Federation.

This was on July 7. Within a week the *Daily Herald* hailed the miners' new demands as "an indirect but no less sure step towards nationalisation." It stated frankly the argument that, if the demands were conceded, the surplus profits on the industry would be absorbed and the Government would have no course open to them but to continue the control of the industry. "Thus" (said the *Herald*) "nationalisation would be brought to the fore as the only way out." More than a month later, Mr. Smillie

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declared in a public speech that "the miners were determined to have nationalisation." At that stage some of the miners' leaders who happen to be sensitive to public feeling were desperately anxious to get rid of the notion that the new demands were other than strictly economic in character. The prominence given in the newspapers to Mr. Smillie's reported blurting out of the truth naturally disturbed them, and within a few hours one or two of them were securing equal prominence for blunt denials that such a question as nationalisation had any place in their minds. Three weeks afterward, Mr. Smillie himself thought it advisable to announce, in a letter to *The Times*, that the miners were not fighting for nationalisation. "The question of nationalisation of the mines," he said, "will probably be made a political issue when the present Government think fit to allow the people of the country to express their opinion on this and many other matters which have arisen since the return of the present party to power." Such a statement so made must be accepted without question. Nationalisation of the mines, then, was not the thing, or one of the things, for which the miners fought the Government in this battle. But the retention of State control of the mines, as a stepping-stone to nationalisation, was unquestionably one of the objects for which the miners entered into the struggle. The progressively clear and definite assurances which they extracted during the later stages of the negotiations, first from Sir Robert Horne and then from the Prime Minister, that the Government did not contemplate withdrawal of control at once or in the near future, are plain evidence of the vital part which this question played in the dispute. As will presently be shown, the miners won handsomely on this point. The measure of their victory is the statement made by Mr. Hodges after a settlement had been reached—a statement which is scarcely as ingenuous as it seems—that "the miners recognise that they must drop political considerations from their plans for the future of the

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industry. They must leave such questions as nationalisation of mines to the development of the political consciousness of the people." This is not, as it might appear, an abandonment of nationalisation as an objective. It is only an indirect reminder that the miners have secured by industrial action as big an advance towards that point as industrial action can secure. It is the statement of a man who is confident that the miners can consolidate and hold the outworks from which the Mining Industry Act would have ejected them, and can afford to wait until the citadel is voluntarily surrendered.

The development of the dispute will repay a little study. Here are the main stages :—

July 7.—The miners formulated a demand for (1) an immediate reduction of 14s. 2d. a ton in the price of domestic coal ; and (2) an advance in wages of 2s. a day for adults, 1s. for youths from 16 to 18, and 9d. for boys under 16.

July 26.—The Government announced that they could not grant these claims.

August 12.—The miners decided to take a strike ballot.

August 31.—The ballot result was declared. For a strike, 606,782 ; against 238,865.

September 2.—Strike fixed for September 25.

September 24.—Strike postponed to October 2, in view of negotiations proceeding with the Government.

October 1.—The miners decided to take another ballot on a scheme by which wages would be determined according to output, with regular advances for increases above a " datum line." Strike further postponed to October 16.

October 14.—The second ballot result was declared. For the scheme, 181,428 ; against, 635,098. The miners decided that the strike should begin on October 16.

October 16.—Strike began.

October 28.—Provisional terms of settlement were agreed on by the miners' executive and the Government. The Executive decided to take another ballot.

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November 3.—The third ballot result was declared. For the new terms, 338,045 ; against, 346,504. As this did not give the two-thirds majority required by the rules for a continuance of the strike, the strike was declared off.

November 4.—The miners returned to work.

The above brief record covers only the decisions of the miners themselves. The following gives in summary form the decisions of their partners in the Triple Alliance, and of the Trades Union Congress :—

August 31.—The joint executives of the Triple Alliance declared unanimously that the miners' demands were reasonable and just and should be conceded forthwith.

September 8.—The Trades Union Congress adopted a resolution in identical terms.

September 22.—The Triple Alliance met the Prime Minister, but without definite result.

October 21.—The railwaymen informed the Prime Minister that unless negotiations were resumed or the claims granted by October 23, a national railway strike would be called. The transport workers made a similar declaration.

October 22.—The Parliamentary Committee of the Trades Union Congress decided to summon a special Congress for October 27 to consider the position, and meantime they deprecated sectional action.

October 23.—The railway strike was indefinitely postponed, in view of the resumption of negotiations.

October 27.—The Special Trades Union Congress found nothing to do.

Each of these two short histories calls for some comment. The outstanding feature of the first is the fact that, while up to October 14 the miners' leaders and their representatives gave abundant evidence of a desire to escape from the consequences of the first strike ballot, they did not hesitate moment after the second ballot. The "datum line"

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offer was rejected by a majority even more overwhelming than that which originally declared for a strike, and the leaders accepted this as a virtual prohibition of further negotiation. Incidentally, it may be noted, the demand for a reduction in the price of coal had disappeared. The vote was so decisive that the men who had wanted a strike from the first easily gained the mastery over those who were averse from a strike. More than once during the progress of the dispute it was impossible for the onlooker not to be struck by the apparent swaying of the balance of power between the pacifists and the extremists in the councils of the miners. The South Wales contingent, backed by the Lancashire men, were for war "to the knife." The Yorkshire leaders were for peace; their men had more than enough of strikes twelve months earlier. The representatives of other coalfields were undecided. Mr. Smillie himself seems to have oscillated between the two decided groups, and the course of the dispute up to the actual dispatch of the strike instructions to the districts seems to reflect his uncertainty. At one moment the extremists were uppermost, and at another the moderate men prevailed. Even after the strike had begun, the same fluctuations were noticeable. At the eleventh hour before the settlement, South Wales asserted itself and created a temporary "hitch" in the negotiations. Almost on the stroke of the twelfth hour, the extremists made a final effort by challenging a division in the miners' conference on the question whether the rule requiring a two-thirds majority for the declaration or continuation of a strike should or should not be applied in the present case. The extremists were defeated in the end, but they managed to carry away a few scalps. Mr. Vernon Hartshorn, M.P., one of the most level-headed men among the miners, found his position as a member of the Executive of the South Wales Miners' Federation made untenable by the nagging of the hotheads, and resigned the office. Mr. William Brace, M.P., President of the South Wales Miners' Federation,

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was also subjected to such treatment by the disappointed revolutionary section that he decided to resign. Mr. Brace was one of the real authors of the final terms of settlement, for they followed closely a series of proposals which he made to the Government during a debate in the House of Commons on October 19. He has since accepted the position of Labour Adviser to the Coal Mines Department of the Board of Trade, a capacity in which his sound sense and his intimate knowledge of working conditions in the mines will be of invaluable service to the Government. But while the Government will have gained by his severance of connection with the Miners' Federation, it must be confessed that the success of the revolutionaries in hounding two such men out of responsible positions in their organisation is as ugly a symptom of disease in the trade union body as any that South Wales has yet shown, and it may be suggested that trade union leaders should make sure, before they yield to natural personal feelings, that they could not better serve the interests of their fellows by defying their assailants and remaining in the positions to which the rest elected them. Nothing would better please the Bolsheviks, in their own country and in this, than the success of their deliberate campaign for driving all moderate men out of the public life of the Labour movement by systematic abuse, misrepresentation, and slander.

With regard to the second of the summaries given above—that relating to the intervention of the Triple Alliance and the Trades Union Congress—it is important not to misunderstand the significance of the decisions of these bodies or to underrate the serious possibilities of the situation which those decisions might have created. They contained, as already suggested, the threat of action which would bring the forces of the State into direct and deadly collision with organised millions of the people and create conditions as nearly conducive to revolution as any that are likely to exist in this country for many years to come.

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But while the threat was there, the hope and the expectation that it need not be carried into effect were also there. Experience during the railway strike, when the famous "Committee of Fourteen" was set up, and more recently, during the crisis which arose when the Red Armies were at the gates of Warsaw and the "Council of Action" was established, has confirmed in the minds of the national leaders of the British Labour movement, both political and industrial, the belief that the Government understands no language but that of threats. The ultimatum of the railwaymen was intended, it may be believed, to precipitate a resumption of peace by negotiation between the miners and the Government. At the same time, had it failed in that purpose, there can be no doubt that an attempt would have been made, however incomplete it might have proved, to translate the threat into action. The same is true of the Transport Workers' threat. The decision of the Parliamentary Committee of the Trades Union Congress, however, was of a somewhat different kind. They added to the announcement of the calling of a special Congress a strong appeal to all unions to refrain from hasty and independent action. The prospect of united action on a national scale is always the surest deterrent to local or sectional strikes, and from that point of view the intervention of the Committee made for restraint and the isolation of the conflict. But the danger of combined industrial action by the whole trade union movement, or even by large sections of it, is always the greatest incentive to the Government to compose its quarrels before they spread, and from that point of view also the intervention of the Committee made for a speedy peace. It is a safe rule to apply to all industrial conflicts on a serious national scale, that the greater the threat the more remote the danger. This rule may not always hold good, but so long as the influence of the majority of the present national leaders of Labour continues to have weight with the rank and file (and that will be so for a long time hence), a

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judgment based on that axiom will not often prove ill-founded.

Other aspects of the dispute must be dealt with briefly. Six days after the strike began the Home Secretary introduced in the House of Commons a Bill which gave to the Government, subject to certain Parliamentary checks, wide powers to take steps, in cases of emergency, for the preservation of peace, for securing and regulating the distribution of food and other necessities of life, for maintaining the transport services, and for otherwise ensuring the safety of the community. In spite of appeals from the Labour members, based on the resumption of negotiations, the Government proceeded with the Bill; it had been prepared, according to their statements, many months before the coal strike. During its progress through Parliament, the Labour members succeeded in securing important amendments of some of the provisions most obnoxious to them, but they were not satisfied that the Bill did not still constitute a grave menace to the liberties and privileges of trade unions, and the agitation against it was not allowed to drop. About the same time the Government announced special provisions with regard to the relief of unemployment caused by the strike. These provisions related mainly to the extension of the period during which unemployed ex-service men were entitled to draw out-of-work donation, and to the delegation to employers of certain of the powers and duties of the Employment Exchanges in respect of the disbursement of unemployment benefit in the insured trades.

In practice the effects of the strike on employment were not so serious as they might have been had the Government not had ample time in which to accumulate large stocks of coal for the public services and for industrial uses. The want of supplies was felt most acutely in the iron and steel trade, the pottery industry, the shipping industry, and one or two other trades which consume huge quantities of coal. The North of England suffered

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more than the Midlands, and the Midlands more than the South, but the actual volume of unemployment directly caused by the stoppage was not so formidable as some prophets had anticipated. According to the official returns for November 3, the last day of the strike, there were on that date 95,275 people idle owing to the closing of works, 147,570 people discharged through reductions of staff, and 347,722 people placed on short time. But for the reserves of coal held before the strike actually began, these numbers would have been considerably larger.

One of the most notable features of the strike was the entire absence of anything like sabotage. It is true that in several districts, including South Wales and Lanarkshire, resolutions were passed in favour of the withdrawal of the pumpmen and other workers on whose labour depended the maintenance of the mines in a condition which would make possible an immediate resumption of work, but no effect was given to these resolutions, and these grades of workers continued at their posts in accordance with the instructions given to them on the outbreak of the strike. From beginning to end of the stoppage, the only reports of lawlessness or violence came from a South Wales village, where a number of young hooligans were responsible for some rowdiness and window-smashing after the closing of licensed premises on two evenings. The miners as a whole, behaved with exemplary orderliness throughout the strike, and went back to work eagerly when the dispute was declared at an end. Like the general body of the public, they "kept their heads" and remained steady, many of them doubtless sharing the predominant public faith in the inevitability of a peaceful solution. Nothing, indeed, is more remarkable in the story of this strike than the ineradicable conviction of the people that the native commonsense and genius for compromise would find a way out. The average man and woman simply refused to despair, even when the outlook was blackest.

The actual terms of settlement need not here be ex-

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amined in detail. They provide for a temporary increase in miners' wages of 2s. a shift for adults, 1s. for youths, and 9d. for boys; this increase to be subject to variation between January 1, 1921, and March 1921, according to the quantity and value of the coal output; thereafter, wages are to be regulated by a National Wages Board. In the meantime, the owners and men pledge themselves to make every effort to enlarge the production of coal, and for this purpose they undertake to co-operate by means of district and national joint committees. The points to be noted here are these:—

1. The miners obtain immediately the full amount of the wage increase which they claimed in July.

2. The mineowners have agreed that the 10 per cent. of surplus profits to which they were entitled as an addition to their guaranteed pre-war profits shall be subject to variation, in the same way as the miners' 2s. wage advance, according to the fluctuations in output. In other words, owners' profits will fall as well as miners' wages, if their joint efforts fail to produce the prescribed quantities of coal.

3. A National Wages Board is to be established for the mining industry.

The last of these is the most important, for reasons indicated at the beginning of this article. Though there is no precise provision in the terms of settlement to this effect, it is understood, by the miners at any rate, that this Board will be in some respects a counterpart of the National Wages Board already existing for the regulation of railwaymen's wages. That is regarded as implying that it will fix or regulate wages on a national, as distinct from a district, basis. If that interpretation be correct—and it has not been denied by the Government—the miners have succeeded in forcing the Government to relinquish its plan, embodied in the Mining Industry Act, for the fixing of wages by areas; and, inasmuch as that plan was an essential part of the Government's decontrol scheme,

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they have compelled the Government to reverse its policy for the future conduct of the industry. If they had done nothing more than this, the miners would have achieved a great triumph.

II. "REPRISALS" IN IRELAND

ONLY on the comfortable assumption that things were bound to be worse before they were better is it possible to record any progress towards an Irish settlement. Of that sort of progress, indeed, there is evidence in plenty. The "war in Ireland," as THE ROUND TABLE had already described the situation at the beginning of September, has extended during the last three months far beyond the limits then described. The attempts of Sinn Fein to establish a Republican administration throughout the country, the revival, as a consequence, of the Ulster Volunteers, the comparative impotence of the normal forces of law and order—these various elements in the situation began to be overshadowed before October by an entirely new development. It suddenly became apparent that the cowardly campaign of assassination, which had been in progress for months side by side with the more presentable activities of Sinn Fein, was beginning at last to provoke retaliation. The murder of police officers had hitherto been a safe enough proceeding for the murderers because of the Terror which permitted neither witnesses to bear evidence nor juries to convict. Now, in a moment, these isolated undetected crimes were succeeded by a series of violent hand-to-hand fights up and down the country, in which the casualty list was no longer confined to the soldiers and the police. What is more, the assassinations, which still persisted, began to be followed by the general punishment of suspected localities, and a series of raids on Balbriggan, Trim, Mallow, and other villages left behind them a trail of smoking ruins and an explosion of startled indignation. That these raids were the work of the forces

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of the Crown—which now included an auxiliary body of constabulary, popularly known from their mixture of blue and khaki uniform as “Black and Tans”—was never for a moment in dispute. The real element of doubt in the situation was the extent to which their operations were part of a deliberate policy of counter-terrorism. They were the signal in any case for the opening of a new phase of the Irish discussion in England, and brought it once more to the very forefront of political issues.

It is not easy to write with moderation of the political campaign in England against “reprisals,” though much may be said, and should be said, about the “reprisals” themselves. By this time, according to the published records, no fewer than 100 policemen and 18 soldiers had actually been murdered since the beginning of the year. More than 200 had been wounded, and a very large number had escaped death by marvellous good fortune. There had been six or seven hundred attacks on police stations, resulting, in most cases, in their complete destruction. The Irish peasantry themselves were in many places paralysed with fear and had suffered every kind of lawless outrage, often directed against women. All this appalling chapter of crime had passed almost unnoticed by those writers and politicians who now united in passionate denunciation of the new turn of events. The “shooting” from behind (unobtrusively chronicled) of a policeman at his post became “murder” of the most brutal kind when the victim of a desperate roadside fight turned out to be some notorious Republican. The destruction of property was stigmatised, for the first time, as an intolerable outrage on civilisation. To judge from some of the articles and speeches which appeared as the Parliamentary session approached, it might really have been supposed that a peaceful and virtuous population had suddenly been subjected, without a shadow of excuse, to the horrors of a barbarian invasion.

The Government, no doubt, were very largely to blame

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for such credence as this impression obtained, though it does not seem, as a matter of fact, to have stirred the masses in the constituencies so much as their representatives in Parliament. The man in the street was so hardened to Irish horrors by this time that he was disposed to be satisfied with the vague idea that some of the assassins were "getting a bit of their own back." Nevertheless, thoughtful people were beginning uneasily to ask questions, and the attitude of the Government was regarded, even by those who were not their regular opponents, as disingenuous and self-contradictory. The Chief Secretary, it is true, had lost no time in issuing a statement which represented the alleged reprisals as few in number and denied the suggestion of official connivance or support. But General Macready, commanding the forces, had virtually admitted and justified reprisals in a rather unfortunately worded message to the American Press; while a set speech from the Prime Minister himself had described in moving terms the ghastly conditions under which the police were working, but had entirely shirked the question of material destruction as vicarious punishment for murder. It was not surprising, therefore, that, when Parliament reassembled on October 19, the Opposition (such as it is in the present House of Commons) should concentrate on the demand for an enquiry into the whole business, and the fact that this demand was defeated by the enormous majority of 346 to 79 is by no means to be attributed entirely to the strength of the Government case. The critics had largely defeated their own ends by the gross injustice of their attacks.

So little of positive fact emerged from the debate of October 20 that no final judgment can yet be passed on this new turn of events in Ireland. At the time (necessarily far in advance of publication) when *THE ROUND TABLE* goes to press in England, charges and counter-charges are still being bandied to and fro. Investigation is promised in specific instances. Government speakers dis-

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claim and reprobate anything like "running amok" on the part of soldiers or police, but there is infinite obstruction (and probably some real difficulty) to be faced by anyone who attempts to arrive at the truth. Still, sufficient is known by this time to form a tolerably complete picture of what has been going on, if not of all the responsibilities for it; and the impression that is clearest of all is that "reprisals" have meant very different things in different places. There have been cases, unquestionably, where the murder of some popular companion has goaded a body of soldiers or of police to sheer undisciplined madness. That cannot be held surprising, however deplorable it may be for the *moral* of the forces. They have been living now for many months under conditions of strain which many of them describe as far more terrible than service in the trenches. There at least they had a proclaimed enemy, whose identity and intentions were known. But in Ireland their enemy was working in secret, distinguished by no uniform, mingling at one moment with the crowd of peaceful civilians and drawing a pistol from his pocket the next. The sense of being perpetually watched and shadowed, of having no protection against the assassin, no means of identifying him beforehand and no chance of bringing him to justice, must often have proved utterly intolerable, and it is small wonder that there have been instances where the men have frankly got out of hand and turned upon the merest suspects with fire and pillage.

Perhaps it was occurrences of this kind, and the undoubted fear which they inspired, that suggested to the authorities the value of "reprisals" of a more organised character. At all events it soon became clear that some of the acts of violence committed by the forces of the Crown were part of a methodical plan for fighting assassination. Thus the murder of a policeman or of a soldier was followed before long, as a matter of course, by the deliberate destruction of so many houses in the neighbourhood, to which the avengers in many cases were strangers hurried from

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a distance. Moreover, warnings that certain specified penalties would follow any further crime very soon became public property and formed the subject of some not very illuminating discussion about the exact authority responsible for them. Here, of course, there was no question whatever of a sudden blaze of anger. The procedure was often quite obviously deliberate and calculated. Meanwhile—side by side with the rest, and contributing a third class of “ reprisals ”—there began a series of running fights between the police, now heavily reinforced, and the assassins of the country roads and villages, in which promiscuous shooting must unquestionably have killed and wounded the innocent with the guilty.

The real case against the Government in all this tragic story was not that these innocents sometimes perished, but that “ reprisals ” were never placed from the outset on an avowed and constitutional basis. As the clamour for enquiry rose in England there gradually came into existence something like an official theory of the new activities of the forces in Ireland. It was expressed more than once by Sir Hamar Greenwood and other speakers as the hunting down of a gang of murderers, and the repeated assurance that “ the Terror was being broken,” that “ hundreds of assassins were on the run,” did something to give the policy the justification of success. There seems, indeed, to be little doubt that these apparently promiscuous raids were often accurately directed against criminals whose identity was widely known, though it could never be proved in a court of law. Certainly there were cases in which the threat of “ reprisals ” in a named district has been sufficient to produce a kidnapped officer, or the body of a murdered officer, whose fate had been a mystery. And, while it is true that whole communities of Irishmen are living peacefully, if unwillingly, under a Sinn Fein administration, it is also true that other communities are turning against the long despotism of Sinn Fein under the protection of the “ Black and Tans.”

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But these are examples of the "reprisals" policy just where it has actually been regularised and properly carried out. What stained it from the beginning, and gave the critics their weapon, was the report of other cases in which half-disciplined forces were practically given a free hand to burn and plunder without either the excuse of sudden anger or the limitations of a deliberate policy, and also without subsequent punishment. Reports of this kind are too well authenticated for complete disbelief, and the known character of some of the new recruits, hurriedly enlisted as they were for desperate work, does something to corroborate them. Such cases were probably few in number. They were certainly exaggerated to their utmost political value. The Prime Minister and his colleagues are absolutely right to insist in their speeches on the amazing discipline and forbearance of the forces in Ireland as a whole, and to hold that this character far outweighs the occasional exceptions to the rule. Moreover, there is reason to think that the gradual evolution of an official policy of reprisals is now putting an end to anything that could possibly be described, in Judge Bodkin's phrase, as "competition in crime." But the fact that such a state of affairs could even be debated has at least produced a body of sane opinion about "reprisals." Every true Englishman abominates the notion that his Government should stamp out crime by descending to the lawless underground methods of criminals. He resented "reprisals" in the first instance chiefly because the Government was so secretive about them. On the other hand, he recognises by this time that no ordinary measures are sufficient for the present crisis in Ireland, and is absolutely prepared to support a policy of reprisals so long as they are ordered and avowed by proper authority. Lord Salisbury, speaking in the House of Lords on November 2, expressed his conviction that "there was no remedy except reprisals, but they should be reprisals ordered by constitutional authority. He could not understand (he added) why the Government

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shrank from the responsibility for reprisals which, if authorised and ordered by the Government, would be legal, and would be carried out with the proper discipline which such a policy required." That is both sound doctrine and a faithful statement of the best English view.

The first and last duty of government is always the maintenance of order. Where order has completely broken down, the normal safeguards against the punishment of the innocent have to be suspended, with the risk or certainty that the innocent will suffer as well as the guilty. A Government may have to instruct its officers under certain contingencies to fire on crowds, with all the chances that mere spectators will be killed. But such authority must come from the Government, be published when made and exposed to criticism in Parliament. The gravamen of the charge made by the Government against General Dyer was that on his own admission he shot hundreds of people, not merely with a view to quelling a riot in Amritsar, which was his duty, but with the further object of preventing the spread of rebellion throughout India, a political question in respect of which he had been given no authority. The Government which dismissed General Dyer least of all governments can afford to leave subordinates in Ireland to take unauthorised measures. It cannot shuffle off on to subordinate officers the responsibility for measures the need for which it has not itself avowed. An officer like Nelson may sometimes save an Empire by exceeding his orders. But if he does so he must do it expecting to suffer for it. No other principle is possible under British institutions. Government must give their subordinates every authority which they deem necessary to repress murder. But that authority must be openly given and defined, and all servants of the Crown must understand that they cannot exceed or depart from their instructions without incurring the risk of punishment.

London. November, 1920.

INDIA THROUGH INDIAN EYES

TO know how far this or that political movement really counts with the people of India is for the rest of the world no easy task. For most of our information we depend on our fellow-countrymen in India. But the European observer is obviously subject to two disadvantages. Indians will seldom converse without reserve in his presence, while all that he tells us has passed through the brain of an European. Such information as comes from Indian sources is for the most part coloured by a definite political motive. And of late a certain excitement has been manifest in the messages cabled from European sources, which is only to be expected when the strain which everyone there has been feeling for the last few years is remembered.

In any case we get access far too seldom to observations by Indians, who have tried to see and repeat things as they are. For this reason extracts from two personal and wholly informal letters which have reached us from competent Indian observers are published. They will help to bring home to our readers the preponderant influence of religious ideas in political movements of the East. One of them, moreover, contains definite predictions widely different from those suggested in recent cables. This is all the more interesting as the elections shortly to be held will show how far these two views are right or wrong. The writers differ on certain points, but here again the future will show which estimate of the non-co-operative movement is correct.

India through Indian Eyes

The first letter is as follows :—

The other day I had just time to acknowledge your letter and to thank you for writing to me. You asked for information regarding India.

It grieves me to see how little influence the Moderates carry. If, on the other hand, they were characterised by quiet, solid, educational efforts one would feel that there was more hope. Most of the party are busy men, eminent lawyers, capitalists, great landlords and others who, in the terminology of the nineteenth century, would be said to have a "stake in the country," which really means money and privilege. For the moral resources of the country you must go to the other party, howsoever you may dislike it. Gandhi has it every time. He is a formidable force, but it would appear to me that without him his party would not carry the moral weight they do to-day, and would probably disperse.

As you will realise, the situation of to-day has been aggravated and very largely conditioned by two issues. One of them is the *Khilafat*, over which really there is little enthusiasm except among a group of fanatics. The Punjab affairs, on the other hand, have created a situation in India unparalleled in its history. At the time of the Mutiny Indian opinion was inarticulate, and therefore it is impossible to compare the two situations. Most of us are distressed to find how little the British public cared or regarded their own responsibility towards India. Of course you will realise that the actual events of last year were the culmination of a policy which has been carried out for years. Natarajan, the Indian Social Reformer, very clearly indicated his position relative to these two factors and non-co-operation. The *Khilafat*, he asserts, is a really dead issue. The Punjab affairs, though most serious, must be regarded as exceptional and uncommon ; indeed the very great attention which they attracted both in India and abroad proves that they were exceptional. He believes, therefore, that to base the policy of non-co-operation on these two issues is futile.

The Congress met in Calcutta early in September. The Moderates call it Gandhi's Congress. In a measure this is true. In the first place, speakers were refused hearings who did not issue non-co-operation as a fundamental principle. Mrs. Besant was howled down until Gandhi came to her rescue and restored order. She is a pathetic figure. The other day when the delegates of the Congress were returning to their homes most of the leaders had great crowds bidding them farewell. Mrs. Besant had just one man who looked after her personal arrangements, and in that great crowd of educated Indians not a single other person went out of his way to show her the least courtesy.

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In spite of the fact that the Congress was more or less committed to non-co-operation there were strenuous efforts to bring it back to the pathway of sanity. Bengal, while accepting non-co-operation as a political weapon to be used, urged that a deputation should proceed to England to warn the Prime Minister regarding the situation in India. They urged also that the Congress party should seek election to the Councils but pursue a policy of obstruction. The whole effort was a move to gain time before committing themselves. The folly of non-co-operation was obvious to many. The voting was interesting. Five thousand eight hundred delegates attended the Congress, of whom only 2,600 voted. Of these, 800 were against Gandhi's programme of non-co-operation. The figures reveal that 3,200 of the delegates never went to the polls at all. Lajpat Rai as a chairman was splendid. In his closing address he revealed his practical outlook, developed, I believe, very largely by his enforced residence in America. In his opening address he refused to commit himself; in his closing address he was perfectly frank and declared that the policy adopted by the Congress was futile and impossible to carry out. He wished them well, but did not see any chance of success. Since then, in his daily paper published at Lahore—an Urdu daily—he is systematically battering down the ramparts of the non-co-operation party.

You may be interested to know that the Congress Committee refused to allow the correspondent of one particular paper to be present. This paper last August, at the time of Tilak's death, published a virulent article about him as a man and political leader. This naturally caused very deep resentment, with the result, I am informed, that a boycott has been started by Indians. One public body passed a resolution that no further advertisements from them should be sent to this paper. The Indian newspapers have asked Indians to boycott the advertisement columns. It is estimated that Indian advertisements value two lakhs of rupees a year. It is amusing to see the efforts being made by a rival newspaper to get support from the Indian public. They have been most moderate in their criticism of the Congress, and have taken an opportunity to eulogise the political capacity of the Bengalees, who, they assert, have provided the leaders of India and whose opposition to the practice of non-co-operation demonstrates their sanity of judgment. The net results so far have taken the form of a boycott of the Councils. Practically all the Congress delegates in the Punjab have withdrawn. In Bengal sixteen have already intimated that they will not stand. Madan Mohan Malaviya apparently refused to accept the decision of the Congress and will be a candidate for the Legislative Assembly. In Bombay, as a mark of loyalty to the Congress, a number of leaders, including Baptista, will not stand. On the other hand, the editor of the *Madras Hindu* and some

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advanced extremists like Satyamurti have resigned their membership of the Congress Committee. After the Congress, Gandhi retired to the silence of Bolpur. He has emerged again, but so far has not made any further move beyond declaring his convictions. No practical scheme has yet been put up, but apparently the Congress Committee will work on it and report in December.

Gandhi is the supreme figure of the day. All India talks of him. During my wanderings it is interesting to talk to fellow passengers. The travellers who frequent the first-class carriages, whether Indian or European, are manifestly afraid of Gandhi. He is feared as a disruptive force. This fear quite easily passes into a sentiment of hatred. The second-class mind, or rather the mind whose embodiment travels second-class, looks upon Gandhi as a prophet. He has the message of the age. His life and example are inspiration to many. Piece goods merchants of Amritsar declare that Gandhi is right, that the spirit is greater than matter, that a sacrifice in this heroic time is demanded, and even that violence breeds violence. The other day I heard the following statement as I travelled in a local train in a second-class compartment. A broker asked, "What shall we do about our children? Are they to remain in ignorance?" A Sikh import agent replied thus to him: "Mr. Gandhi says that this is a time of war. We have made our declaration. Now in war everything suffers, education, profession and trade; in Europe whole countries suffered for the sake of liberty. Let us suffer also." Thus it is as we journey through the country. What a contrast to the India of ten years ago! The third-class passenger also speaks of Gandhi. To him he typifies a saviour. What, after all, has the Sarcar done for us? It has taxed us and oppressed us by its police. The landlord has done nothing for us. It is only *Mahatma* Gandhi who can fight both the Sarcar and the landlord.

It is conceivable that there is room in India both for the Moderate and Non-co-operationist. The Moderate and Independent will keep the constitutional machinery running, and thereby store up for himself administrative capacity and political wisdom. All these will be useful to him in the future. The Non-co-operationist may, on the other hand, help to discipline further an idealism awakened in men and communities where at present it may seem non-existent. This is a great *rôle* which they may play, but one despairs of them in the event of the removal of Mr. Gandhi. In the meantime we all need great faith to look into the future—to strive.

I was very much interested in your reference to the Institute of International Affairs referred to in the note on Beer, your American correspondent. Is it not possible for us in India to get into touch with the publications of this institute? Personally the affairs of the Middle East are becoming to me extraordinarily interesting, and

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I am reading everything I can on them. Unfortunately literature is very scarce. I shall be very grateful if you can help me to get into touch with real sources of information. It is no longer possible for us in India to preserve our ancient isolation, and I find now that I can interest quite a number of young men in the situation both in Europe and in the Middle East.

The second letter relates mainly to the United Provinces :—

I have read with much interest the news and articles that have lately appeared in the English Press about the situation in India, and hasten to inform you that the alarmist views taken by some writers are wholly unjustified. I can speak from personal knowledge about the United Provinces only; but you have seen enough of India to judge that the condition of things in one province cannot be much different from that prevailing in others.

To consider how the reforms are received in the country, we must note that we have three classes to deal with. The first is the general mass of the population, consisting of illiterate villagers, the petty town shopkeepers, and so on; the second is the Moderate portion of the educated class, and the third the extremist. The landholders largely come into the first category; those who have received education or lived in cities come into the second. The extremist section does not include any big landholders; possibly it does not include even small landholders. The first class has very, very vague ideas about the reforms. When the electoral lists were being prepared all they thought about them was that some old list was being revised. They had absolutely no idea that they were given quite a new right. When the election campaigns began, and local candidates applied for their votes, they thought that it was something new, but still they could not realise what it all meant. The only thing that they would consider it safe to do under the circumstances would be to give their votes to their well-known man. The Indian villager's shrewdness and caution would never allow him to give his vote to young lawyers or journalists, whatever their promises may be. He will give his vote to the well-known old Zemindar or a senior member of the Bar, and so far as he is concerned the matter ends there.

With regard to the Moderate leaders, it may be said that they have welcomed the reforms and are ready to take full advantage of them. They have started their election campaign, and where the contest lies between a Moderate and an extremist, the former is sure to win. The extremists have denounced the reforms and made their position impossible. If they could get in at all, they were

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bound to be in a negligible minority ; so their dream of obstruction could not be realised. In this position they started the non-co-operation movement. It was the wisest thing for them to do. They have saved their time, money and energy. They are, however, trying to use them in worse objects. But again they have met and are bound to meet with further defeats. Malaviya has refused to follow non-co-operation ; Gokoran Nath Nusra has resigned his membership of the extremist National Congress, and the Trustees of the Aligarh College have stoutly refused to listen to Mohammed Ali's request to reject the Government grant and the university charter for the College—are we to attach more importance to these actions of our leaders, Hindus and Mohammedans, to the harmonious co-operation of officials and non-officials in founding a university at Lucknow to be followed by others, or to the resignation of a *Rai Bahadurship* here and a *Khan Bahadurship* there.

With regard to the influence of Mr. Gandhi, we have to consider it with regard to the same three classes I have mentioned above. The average villager in the United Provinces has not heard of Mr. Gandhi. The average townsman saw his name on the placards last year. He is told that Gandhi is a *Mabatma* (a person of supernatural powers), he has done a lot and will do more for the country. If he knows his informant, he will probably believe him, though reluctantly, for he cannot see any tangible effects of Mr. Gandhi's endeavours. If Mr. Gandhi comes to visit his town he will come out to see the *tamasha* (the ceremonial reception) ; he may also go to hear him if he does not happen to be busy at the time, but when he will be asked to take away his son from the school or to evade payment of taxes with the necessary consequences so well known to him, or to do without the established courts of justice, he will simply say, "No thank you." Even the *Hartal* is losing its charm. Even at the risk of being lengthy I will relate an incident that happened in my district last year—on one of the *Hartal* days.

The members of the Bar, seeing what had happened at Agra, went to the courts and attended to their business as usual. The shopkeepers got annoyed at this, and asked their leaders what they meant by preaching *Hartal* for others and doing business themselves. The lawyers explained that they were practically bound by the same rules as the Government servants. This did not satisfy the shopkeepers, and they said that the trick would not succeed next time.

Very much like this was the retort given by an old *Khan Bahadur* who was asked to renounce his title. He said, "My friends, I will renounce my title at once the moment I see all of you throwing away your diplomas, and thereby giving up your practice at the courts."

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This is the attitude of the general public. As to Moderates among the educated classes, they have strongly criticised Mr. Gandhi's policy. They admire his courage and self-sacrifice; they are grateful to him for his services to the country, but they have ceased to look upon him as a safe guide ever since he started the *satyagraha* movement. And with this non-co-operation movement he has lost whatever influence he had with the Moderate leaders.

As to extremists, they certainly look upon him as a reliable leader, reliable in the sense that he can be relied upon to support anything and everything that goes against Government. But being at the head of the extremist party does not give Mr. Gandhi any influence in the country. A man here and there may admire, even worship him, but the question is how many are prepared to make the sacrifices he asks for. How many even among the leaders of the party have followed his commands? The thing is that the non-co-operation movement was impracticable, and could not therefore live long. It had far less vitality than the boycott movement started at the Partition of Bengal. The latest letters from India are quite hopeful. Even the Bombay correspondent of the *Times* appears to be correcting the gloomy forecast he wired in September.

With these remarks I close my letter. If the Ministers at home do not waver in the policy enunciated for India, and the Ministers and officials in India trust and respect each other, the future of India will be bright in spite of the extremists.

CANADA

I. REPRESENTATION OF CANADA AT WASHINGTON

FOR twenty-five or thirty years there has been a movement in Canada in favour of appointing a representative at Washington. One of the first advocates of the proposal was the late D'Alton McCarthy, who assuredly was not actuated by any hostile feeling towards Great Britain, nor by any desire to weaken the connection between the Dominion and the Mother Country. Mr. McCarthy was one of the most influential members of the old Imperial Federation League, and one of the first to suggest a fiscal preference for British imports into Canada. It is believed, although no definite evidence in support of the belief has ever been produced, that Sir Wilfrid Laurier acted chiefly upon Mr. McCarthy's advice and persuasion when he established the British preferential tariff. For Mr. McCarthy separated himself from Sir John Macdonald over questions affecting the French language and Roman Catholic schools in Canada, and drifted into a close personal and political relation with Laurier and the Liberal Party. But Mr. McCarthy thought only of a commercial representative of the Dominion at Washington, and this also was the original conception of the Laurier Administration.

For reasons which have not been disclosed, Sir Wilfrid Laurier never actually appointed a Canadian minister at Washington, nor did the Borden Government, although a few years ago it was definitely understood that Sir Douglas Hazen had been offered and had accepted the appointment.

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At the last session of Parliament an appropriation was voted to maintain a minister at the United States capital, and an immediate appointment to the office was expected. It was understood that through long negotiation with the Imperial Government an agreement was effected which would ensure harmonious co-operation between the Imperial ambassador and the Canadian minister, and repose actual ambassadorial power and dignity in the representative of Canada. But again there is delay, and for this two reasons are offered. One of the reasons is that there are no candidates for the office, and the second reason is that the Government desires to keep the appointment open for Sir Robert Borden if his health should be fully re-established and he could be induced to take the office.

It is, however, not certain that these reasons fully explain the decision of the Canadian Government to delay the appointment. There was no expectation that other Dominions would desire to follow the example of Canada. This country has a geographical relation to the United States, and social and commercial connections with the republic which the other Dominions do not possess. Indeed, the interests of Canada at Washington are as intimate and direct as those of the United Kingdom, and it has been contended that those interests can be better interpreted and protected by a Canadian minister than by any British ambassador, who cannot have full knowledge of conditions in Canada, and at best can have only an indirect relation with the Canadian Government. For many years, indeed, the British ambassador at Washington never set foot in Canada. Mr. Bryce was the first to recognise the wisdom, if not the absolute necessity, of personal contact with the Canadian people and the Government at Ottawa. But even yet the suspicion persists that the British ambassador has only an indirect interest in the affairs of Canada, and acts on the assumption that salutary neglect of Canadian representations is the wiser, or at least the easier, method of dealing with problems which are not of

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urgent Imperial concern, but perhaps of high consequence to Canada.

There has been a tradition in the Dominion, which impartial historical inquiry tends to disturb, that Canadian interests again and again have been sacrificed at Washington by British diplomats who were ever ready to satisfy American demands with concessions at the cost of Canada. If this ever was true it is true no longer, but extreme autonomists still cherish the old notion, and insist that diplomatic representation at Washington is a necessary condition if the equal status of Canada in the common Empire is to be established. To a degree both Sir Robert Borden and Hon. N. W. Rowell are constitutional perfectionists, and they have been perhaps the chief advocates among Canadian statesmen of diplomatic representation at Washington. There is reason to think that Imperial Governments have doubted the practicability of dual representation, while anxious to discover a method by which the full authority of Canada should be continuously asserted through the British Embassy. Manifestly a Canadian attaché would not be a complete assertion of Canadian sovereignty. On the other hand, it was seen to be difficult, if not impossible, to vest in the representative of Canada powers and responsibilities equal to those which must be exercised by the British minister. Nor is it certain that the Canadian representative, under any agreement or understanding which may be devised, can enjoy the social and political dignity which attaches to the representative of the Empire as distinguished from the appointee of a section of the Empire. For example, the Canadian minister would not be content with a position of social or political inferiority to the agent of a petty republic, and yet he could not be recognised as the minister of a sovereign state so long as the country which he represented was but one of the constituent elements of a Commonwealth of five nations under a common sovereignty. It is understood that under the agreement developed by the

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Canadian and Imperial Governments the representative of Canada was to be the channel of communication between Ottawa and Washington, to be accredited to the President by the King, and in the absence of the British ambassador to be the head of the British Embassy and responsible alike for Imperial and Canadian interests.

As has been said, it was not foreseen that other Dominions would desire to follow the example of Canada. But Australia has also announced its intention to send a minister to Washington, and there is no assurance that New Zealand and South Africa may not desire to do likewise. None of the Dominions will be willing to have a less complete sovereignty than Canada, and each will want a relation with the British ambassador at Washington as intimate and authoritative as the representative of this country may enjoy. Surely there is danger that an element of uncertainty and confusion will be introduced into the Councils of the Empire, and that its unity and power of decision and action will be impaired. It is not likely that Imperial ministers will urge these considerations unduly, but the Dominions, which can have no other desire than to unify and strengthen the Empire, can afford to think deeply upon the possible ultimate consequences of a dual diplomacy and a divided authority at foreign capitals.

It is true, as *The Montreal Gazette* has said, that "none of the other Dominions is so situated as Canada in proximity to a foreign nation;" but the other Dominions have problems which enter peculiarly into their relations with other nations, and there is danger of a division in Imperial diplomacy which will lessen the power of the Empire to protect the common interest and effect a dangerous separation between national and Imperial affairs which can have no fixed boundaries, and which may be national to-day and Imperial to-morrow. Under the heading "A Dignity Postponed," *The Montreal Gazette* says it is apparent from Washington and Ottawa despatches that the day which

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is to see a Canadian minister plenipotentiary established at Washington has not come.

"At any rate," it adds, "and for whatever reason, a postponement has been determined upon, a reasonably satisfying explanation being that Sir Auckland Geddes is a Canadian by long association and residence and that his presence as Ambassador will meet all Canadian requirements. The stay which this involves will do no harm. Canadian interests are not likely to suffer materially by it, and the interval will afford opportunity for giving the project more thorough consideration and study than it has yet received."

The *Toronto Mail and Empire* has only approval for the proposal to appoint a Canadian minister to the United States under the conditions agreed upon by the Canadian and Imperial Governments. It points out, however, that "only a man whose life, character, and service single him out as a high type of Canadian ought to be appointed to an office to which so much honour and responsibility are attached," and it suggests that Sir Robert Borden has peculiar qualifications for the appointment. It thinks that those who oppose the idea have not understood the processes by which the Dominions have been evolved into nations, and believes "They will see that the Empire has the same constituents as ever, and that the bonds, instead of being weakened by the entry of the Dominions into the family of nations, are thereby further strengthened." The *Winnipeg Free Press* is disturbed over a despatch from Washington that the appointment has been deferred, and that in the meantime Canadian interests will be in the hands of Sir Auckland Geddes, who, because of his long residence in the Dominion, is regarded by Canadians as having full personal knowledge of the aims and needs of their country. It declares that the British Foreign Office has been credited with discouraging the appointment, and while admitting that such charges should be accepted with necessary reserve, insists that the statement from Washington is "sufficiently disquieting to suggest that the whole issue should be made intelligible to the

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Canadian people." It reminds the country that Sir Robert Borden refused to submit papers concerning the appointment to Parliament or to make any specific statement of the position the Canadian ambassador would occupy at Washington. The impression left upon the country, according to the *Free Press*, was that the Government's reticence had its origin in London, and although Mr. Bonar Law had denied that Great Britain had exercised pressure at Ottawa, "there has been left a feeling that there were interchanges of views between the British and Canadian Governments that neither Government is willing to make public." It contends that secrecy in such negotiations is not desirable, that if the British Government has objections to the appointment the fact should be made known to the Canadian people and the reasons behind them frankly stated, and that "open diplomacy within the family circle" is essential to confidence and co-operation in the general interest.

"The situation as it has been left by the Borden Government," says the *Free Press*, "is unsatisfactory. There is a want of knowledge about the whole proceedings, and a feeling has been aroused that moves are being made behind a curtain that would not well stand the scrutiny of open inspection. This has now been accentuated by the Washington despatch. To reassure the public mind the Government should take the people of Canada into their confidence, and the matter should engage the attention of Parliament at the earliest moment. Questions of the kind far outweigh in importance many of the issues holding the general attention, and it is to the interest of Canadians to rouse themselves to their true nature, as the decisions now being made will be far-reaching in their consequences."

The *Toronto Daily Star* suggests that while there has been no general election in Canada there has been a change of Government. It emphasizes the fact that Sir Robert Borden and Mr. Rowell handled the negotiations over the proposal to appoint a Canadian minister at Washington, and alleges that since they left office "scarcely a word has been heard of the advanced policies which they upheld."

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The *Star* points out that the appointment to Washington has been dropped or at least delayed, and that the Imperial Conference to adjust "the terms of equal nationhood" has also been postponed, and it suspects that in the meantime the Colonial Office will endeavour to recover its prestige.

La Presse has an energetic protest against "secret diplomacy." It insists that only by frank and full ministerial explanations will Parliament be able to judge "if all this business about the Dominion having her own diplomatic representative at Washington is not camouflage, and a trick by which the party in power will make political capital by spreading abroad the impression that, thanks to its efforts, Canada has conquered an enviable place in the assembly of the Allied nations."

"Unhappily," *La Presse* continues, "if we look at what has happened up to the present time, we shall see that the Dominion is considered to be 'a free and independent nation,' especially when it is a question of paying the costs, as in the case of the League of Nations. On other occasions our prestige falls as if by enchantment. Is the Government trying to perpetuate a situation like this by putting on the cloak of a mock diplomatic representation at the United States capital? The public has a right to know, and it is only by obtaining from the Government leaders clear and precise explanations that it will be in a position to fairly judge the situation."

From Ottawa there is a late official or semi-official denial that the proposal to appoint a minister to the United States has been abandoned. The despatch again explains that there are no candidates for the office, and adds that in any event no action will be taken until a new administration is installed at Washington. It has to be remembered that the American Government must approve the status of the Canadian minister, and that American diplomatic practice must be reconciled to the conditions governing the Canadian appointment. There is, however, no reason to anticipate serious objection at Washington, and it is certain that the settled judgment of Canada will not be opposed by the Imperial Government. But it is

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manifest that the step which the Canadian Government contemplates may have far-reaching consequences, and it is desirable that nothing should be attempted which in practice would prove to be elusive and impracticable. There is all to be said for appointment of a Canadian with the necessary qualifications to the office of British ambassador at Washington, and the long result, no doubt, of the Canadian experiment and the recognition of the Dominions as equal nations will be to open the great ambassadorial positions in the Empire to the statesmen and publicists of the oversea British countries.

II. BRITISH VISITORS AND IMPERIAL PROBLEMS

DURING the last two or three months there has been much discussion in Canada of the interests and problems of Empire. Whatever impression may have been made in Great Britain, the Imperial Press Conference was a singularly happy and interesting reunion of journalists from all the British countries. The immediate practical results may be difficult to describe, but at least it was of signal advantage to Canada that so many leaders in British journalism should have been brought into such intimate relation with its people and have acquired such knowledge of its institutions, resources, conditions and prospects. It may be that the actual Conference at Ottawa was not impressive nor its deliberations of exceptional interest or significance. The Conference, perhaps, wisely ignored all those problems which are the natural concern of statesmen and Governments, and confined itself to questions of direct interest to editors and publishers. Resolutions were adopted in favour of cheaper cable communication throughout the Empire, and prices of paper and the relation of Canada to the paper supply of other British countries were exhaustively considered. But it was recognised that in production and supply of paper commercial

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considerations must prevail, and that only by investment of capital and a greater output could the situation be improved. The Empire Press Union, as instructed by the Conference, will endeavour to induce the Governments of Great Britain and the Dominions to provide direct and cheaper cable communication in recognition of the necessity for freer and fuller inter-Imperial news services, but it was insisted that freedom from Government control was an imperative condition. The delegates were freely entertained by the Dominion Government, all the Provincial Governments, and many towns and cities, while it was universally admitted that the organisation by the Canadian committee of every detail of the long pilgrimage from Sydney on the Atlantic to Victoria on the Pacific was singularly complete and efficient. There were many banquets and many speeches, and unquestionably the cumulative effect was to inspire devotion to British institutions, emphasise the position of Canada as the interpreter of the Empire on this continent and a medium of good relations between the British and American peoples, accentuate good feeling between the French-speaking and English-speaking elements of the Canadian population, and strengthen the title of the Press to public sympathy and respect.

It was also the good fortune of Canada to have many of the commercial leaders of the Empire in attendance at the Congress of Chambers of Commerce at Toronto. Naturally the Congress covered a far wider range of subjects than the Press Conference, while there was no such concern to avoid controversial issues or even to evade those which divide political groups and parties. The chief object of all the deliberations and resolutions of the Congress was to strengthen the unity of the Empire, lessen its commercial dependence upon other countries, and harvest its resources for the common advantage. For example, resolutions were adopted in favour of confining immigration within the Empire; of co-operation to secure and maintain its

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food supply ; of a central Statistical Bureau in London to furnish information concerning conditions and resources throughout the Empire ; of better steamship connections with the United Kingdom ; and a more thoroughly organised system of Imperial transportation. The Congress also suggested greater attention to forestry within the Empire ; direct cable communication between Great Britain and the Dominions, and between Canada and the British West Indies and British Guiana ; a fixed date for Easter throughout the Empire, and uniform laws relating to trade-marks, designs and copyright. Other resolutions advised that all shipping between different portions of the Empire should be regarded as coastwise shipping ; that free ports be established at the terminals of great railway systems throughout the Empire ; that a twenty-knot steamship service be operated between Great Britain and Halifax in winter and Quebec in summer ; that the Imperial and Canadian Governments negotiate to secure marine insurance rates for Canadian ports as low as those for New York ; that the Canadian Government be reminded that powerful steamers and ice-breakers make winter navigation of the Baltic possible, and that by like equipment navigation of the St. Lawrence could be extended ; and that customs officials throughout the Empire should be required to agree upon a uniform wording of invoices for customs declaration. For a resolution urging fiscal preferences throughout the Empire unanimity could not be obtained. The vote, however, was 85 in its favour and 21 against. The debate discovered a group of faithful adherents to the old teaching of the Manchester economists. There was difference of opinion also over the proposal to call a conference to consider stabilisation of exchange within the Empire. While the resolution was finally adopted in the conviction that the object was desirable, and that a conference could perhaps achieve some practical result, it was made clear that the par of \$4.86 $\frac{2}{3}$ was the only rate at which exchange between Canada and London could be established,

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and, therefore, in consideration of the great balance of trade against Canada in its dealings with the United States, the value of the pound and the Canadian dollar must be nearer a parity before the proposal was practicable for the Dominion. The Congress of British Chambers of Commerce and the Imperial Press Conference have revealed and emphasised the very influential relation of Canada to many vital Imperial problems, and impressed the Canadian people with their direct and inescapable responsibility for the organisation and evolution, the unity and security, of the Imperial Commonwealth.

A statement by Lord Desborough that the next Imperial Conference would sanction the organisation of an Imperial Cabinet, and that to this project Mr. Lloyd George was committed, has evoked both approval and dissent. Many representative Canadian journals insist that before any Imperial Conference undertakes to provide a constitution for the Empire or to alter the existing relations between Great Britain and the Dominions there must be open consideration of the whole question in the Canadian Parliament, and definite instruction of the delegates who will speak for Canada. It is known that the Canadian Government has not been favourable to a Conference in 1921 to consider constitutional reorganisation. Even Sir Robert Borden has declared that more time is required for examination of all phases of the situation before a conference is called for such a readjustment of relations between the Mother Country and the Dominions as war experiences and the admission of Dominion representatives to the League of Nations has made necessary. There is even a hope that the Constitutional Conference will be held at Ottawa in recognition of the new *status* of the Dominions and the necessity for full concurrence of the oversea countries in any constitutional changes which may be recommended for acceptance by the parliaments of the Empire. For it is held that not only adequate preliminary debate, but subsequent parliamentary ratification are the

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essential conditions of safe and effective constitutional readjustment. It is true also that the political outlook in Canada is too uncertain, and the political leaders too deeply absorbed in domestic problems, to give adequate attention at the moment to the wider problems of Empire. Moreover, it is doubtful if Canada can wisely enter such a conference until the people in a general election have determined which party or what combination of parties shall have authority to speak for the Canadian people. The *Toronto Daily Star* for example, declares that :—

The postponement of the Imperial Conference until 1922 will permit the over-holding tenancy of the Meighen Government to expire before the conference is held, and Canada will be represented at the conference by a Government fresh from the country and after a general election, in which, we hope, there will have been a thorough discussion of Canada's new *status*, based on more information than has been made public—including all the correspondence between Ottawa and London on the subject.

The *Regina Leader*, one of the most influential of Western journals, argues that the machinery which was set up during the war to co-ordinate Imperial efforts was improvised to meet an emergency, and it by no means follows that what was successful under pressure of war conditions "will be suited to the more careful, critical, and leisurely manners of peace-time." It thinks there is no objection to delay if the object is to ensure that the problems involved may be studied more closely, but "if it is being sought in order that the Dominion premiers and politicians may be converted to some particular plan already devised in Downing Street, the delay will not assist in reaching a stable conclusion." The *Leader*, however, emphasises the necessity for preliminary discussion, and seems to favour association of the leaders of parliamentary oppositions with the Prime Ministers of the Dominions in the delegations to the Constitutional Conference. It adds :—

One danger associated with proposals for a new Imperial organisation is that an endeavour may be made to keep them "out of

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politics." This would be fatal to their ultimate success. The rights, powers and obligations of the "new nations" of the Empire constitute the highest order of politics, and cannot be kept out of political discussions at home or anywhere else. The best chance of a successful solution of the Imperial question lies in the frank and open dealing which will tend to secure unanimity within each unit as well as among them.

The *Toronto Mail and Empire* gives its support without reserve to the creation of a permanent Imperial Cabinet as the natural successor of the War Cabinet, in which Sir Robert Borden saw the germ of a constitutional development which ultimately would be the basis of unity between the Dominions and the Mother Country. It instances naval defence as one of the questions which requires close co-operation between all portions of the Empire, and argues that "since the whole of the Empire is involved in the issues of peace or war, as they may develop, some organ of continuous consultation and distribution of responsibility is absolutely necessary in order that the Dominions, while retaining their autonomy, may adequately share Imperial responsibility."

The *Winnipeg Free Press* manifests impatience, if not positive anger, over the delay in constitutional reorganisation, and laments that "the new wine of the modern Imperial dispensation has been poured back into the old bottles." It suspects there is some kind of understanding among the Governments of the various Dominions to let things remain as they are for a while, even though the anomalies and inconveniences of the situation are far more onerous than they were when the status of the Dominions was admittedly that of subordination. Quoting the statements of General Smuts that the constitutional problem is to find new formulas to fit new conditions, and that "The British people must realise this great constitutional fact that there must be a complete equality and freedom enjoyed by the sister States and united by the King," the *Free Press* continues:—

"The explanation for this procrastinating timidity appears to be

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that there is a fear that if the nominal garb of inferiority and subordination is displaced by the *toga virilis* of nationhood, there will be a drifting apart of the British peoples. One would think that the experience of these peoples would by now have destroyed the persistent delusion that unity can only exist when there is a relationship of domination on one side and subordination on the other. The danger of friction in reality rests in the perpetuation of a relationship of inequality against which increasing numbers in each of the Dominions chafe. Ten years dawdling and cowardly evasion will see formidable Republican separatist movements in every British Dominion, whereas a prompt and thorough-going recasting of our Imperial relations in keeping with the ideas of General Smuts will tend to check these disruptive influences which are already in evidence, and will make possible the erection of a firm British League of Nations upon the foundation supplied by the old Empire."

This is in striking contrast with the reasoning and standpoint of the *Montreal Gazette*, which suggests that there is a disposition in the discussion of Imperial relations not perhaps to put the cart before the horse, but to give the cart less attention than it seems to deserve.

"There has been a great deal of jubilation in Canada," says *The Gazette*, "over the supposed new *status* of the Dominion, but no one has yet come forward to say just what has been done to bring about the change or in what the change consists. Nor has there been any disposition to consider the additional and, perhaps, heavy responsibilities which must be assumed if all these glittering claims are to be made good. Canadians, for the most part, were pretty well content with the pre-war scheme of Imperial relations, a scheme which was not found to be in any sense or degree defective in the time of greatest trial. If it stood the shock of 1914—and everybody knows that it did—it must have been good in principle or it would not have given the splendid practical results which came spontaneously from it. It will be well, therefore, if the Imperial Conference, when it again assembles, first comes to a clear and satisfying decision as to what are the new conditions before seeking new forms to fit it."

La Presse, emphasising Mr. Asquith's "subtlety" in the admission that Great Britain seeks the co-operation of the oversea Dominions in the work of developing the Empire,

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interprets his language as meaning that to spill their blood and pour out their money is the "tremendous honour" that he would reserve for the oversea peoples, while Mr. John S. Ewart, K.C., still discovers "the very natural determination of the British Government to keep control of us in every way possible." He finds that "as in all previous history, surrenders are but grudgingly conceded," and suggests that "we must comfort ourselves with the consciousness of real progress along the path of independence."

Associated with the consideration of an Imperial Cabinet is an active examination of the position of the Imperial Privy Council and its relation to Canada. At the annual meeting of the Canadian Bar Association at Ottawa, Lord Cave, who has delivered a series of addresses throughout the Dominion on problems involved in the judicial and political organisation of the Empire, urged the need of an Imperial Executive Council which, though not a law-making body nor a full-powered executive body, should consult upon questions of common concern and submit recommendations to the Governments of the Empire. Mr. Raney, Attorney-General for Ontario, who followed Lord Cave, took advantage of the occasion to restate his argument against continuation of the Judicial Committee of the Privy Council as a final court of appeal for Canada. According to Mr. Raney "a nation cannot be a nation and have its ultimate court of judicial appeal located outside its own boundaries and independent of its own Government." This view has the support of the *Winnipeg Free Press*, which believes that "appeal is not a link of Empire so much as it is a surviving badge of a *status* that has lapsed." Other influential journals agree with the *Free Press* and Mr. Raney, but there are evidences that opinion in the legal profession is hardening against the proposal to abolish appeals, and that the Federal Parliament will be reluctant to further the movement in which Mr. Raney is engaged. Indeed, there are signs

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of a reaction against the demands of the constitutional revolutionists, and a disposition to ask what will be the logical ending of proposals which, recommended as new sanctions of Empire in practical application, would deny the necessity for common action to maintain and protect common interests and prevent all organised co-operation between the five nations which constitute the Imperial Commonwealth.

It may be added that the proposal to endow Ireland with the full measure of autonomy enjoyed by the Dominions excites no enthusiasm in Canada. The Self-Determination League has just held a conference at Ottawa, at which complete independence for Ireland was demanded, and to which Mr. Armand Lavergne, of Quebec, brought the blessing of French Nationalists. An organised attempt was made to induce the Ontario or the Federal Government to prohibit the meeting, but it was wisely decided that such extreme action was unnecessary. So far as one can discover, the position of Mr. Lloyd George commands general support in Canada, although many Canadian opponents of Home Rule probably would rejoice if the Irish people could agree upon the provisions of a provincial constitution embodying the widest powers of self-government. For Sinn Fein, however, there is no toleration, and it is certain that recognition by the Imperial Parliament of an Irish Republic would ruinously affect British prestige with the Canadian people. Whatever effect the demands and actions of Irish extremists may have had in the United States, there can be no doubt that the cause of Irish self-government has been injured in Canada, and from all that can be learned many Americans who have been in sympathy with the Home Rule movement, have come to regard Sinn Fein excesses as a justification of Ulster, and the British Government as weak rather than strong in its dealing with Ireland. A phase of the Irish question is emphasised by the *Toronto Globe*, which for half a century has been a consistent advocate of Irish self-government. "If Ire-

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land," it says, "is to be relieved of her just share of the debt incurred by all the Britannic peoples during the Great War, if she is to contribute nothing to her own defence and that of the Empire, injustice will be done to the Canadian and Australasian and British food producers who must compete with Irish products in the markets of the Empire, and pay not only their own fair share of debt and defence expenditures, but hers also." The *Winnipeg Free Press*, also favourable to Irish self-government, admits that "full Dominion Home Rule is not practicable unless Great Britain is content to grant it knowing that it is merely preliminary to the erection of Ireland into a Republic." But the truth is that Canada has grown weary of "the Irish question," and there are very few constituencies in the country in which a political candidate could afford to express sympathy with Sinn Fein or adopt a more favourable attitude towards the Irish agitation than was taken by Mr. Lloyd George at Carnarvon.

III. POLITICAL AND INDUSTRIAL CONDITIONS

THE by-elections in Nova Scotia and New Brunswick gave a more decisive verdict in favour of the Meighen Government than was generally expected. It must be remembered, however, that ministers were the candidates, and there is always a natural reluctance to defeat men who have just taken office. In Colchester, Nova Scotia, Mr. McCurdy, Minister of Public Works, was elected with a majority of over 1,400 where, only a few weeks before, candidates representing the United Farmers were returned in the general election for the Provincial Legislature by 800 majority. In St. John, New Brunswick, Mr. Wigmore, Minister of Customs, had a majority of 4,000 over his Liberal opponent, but unquestionably the desire of St. John to have representation in the Cabinet contributed greatly to the result. In Colchester the farmers sustained

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their first defeat in a federal by-election, but whether or not this indicates that the political movement among farmers has begun to recede one may not predict. It has been believed that the farmers' party would make least headway in Quebec and the Atlantic Provinces, and such prophecy seems to have been sound enough, but at least in the Prairie Provinces there still is remarkable vitality in the agrarian movement.

During the last few weeks a committee of the federal Cabinet, with the Minister of Finance as chairman, has been hearing witnesses who had reasons to offer why the tariff should be reduced, retained or increased. The farmers offered a formidable volume of evidence in favour of reduction, and generally they were definite and logical in statement and argument. The manufacturers were not less active, but could draw little evidence in favour of protection from Western agriculturists. The Cabinet Committee will also hold sittings in Ontario, Quebec and the Atlantic Provinces, where the manufacturers probably will wage more than an equal battle with their agrarian opponents. Even in the West, however, the farmers would not contend that immediate and complete free trade was desirable or practicable in Canada. They argue only that the farm and the household are burdened by excessive fiscal taxation, that heavier imposts should be laid upon industrial profits, inherited wealth, incomes and unoccupied land values, and customs duties radically reduced and so adjusted as to cheapen farm production and fall upon luxuries rather than necessities. This is also the policy proclaimed from platform to platform by Mr. Mackenzie King, leader of the Liberal Party, who has held many crowded meetings in older Canada, and is now speaking nightly in the Western Provinces. Mr. Meighen, leader of the new National Party, has also addressed many meetings in the East, and later will follow Mr. King into British Columbia and across the Prairies. There is no prospect of an immediate general election, but there can

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be no doubt that when the Government does go to the country, the tariff, as in so many contests in Canada, will be the chief issue between parties.

Two or three months ago there was no thought that the Government could survive a general election. But the satisfactory majorities secured by Government candidates in St. John and Colchester, and the manifest revival of spirit and confidence among the Coalitionists under Mr. Meighen's leadership have affected the outlook. If impending by-elections in Ontario and British Columbia should also result in favour of the Administration, the new party at least will feel that it is not foredoomed to defeat. Mr. Meighen was greatly encouraged by a series of meetings which he held in the Eastern Townships of Quebec. Although these townships now have a dominant French population, there was something singularly cordial and spontaneous in his reception. In all his speeches the Prime Minister appeals for a good understanding between French and English, for a truce to strife, misjudgment and suspicion, and for the acceptance by Quebec of equal representation in the Cabinet and full authority in the public councils. Whether or not he ever gets a response in votes, he has had a response in manifestations of sympathy and personal goodwill for which he is grateful. Mr. Meighen does not forget that Quebec is protectionist, and probably believes that if he can get a hearing upon that issue the prospects of the Government will be enormously improved. Naturally Mr. Meighen's opponents in Quebec resist these advances, and suggest that a wooing inspired—as they say—by political necessity should not succeed.

The Government still faces many vexing and perplexing problems. The fall in wheat prices has led to a resolute, organised demand by the Western Grain Growers for a fixed price and restoration of wheat control. If the demand is conceded there will be angry protest from the town communities. If it is not, the leaders of the agrarian

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movement will have a fresh and formidable ground of appeal to Western farmers. It is certain that the Government is not disposed to yield unless in the highly improbable event of a restoration of fixed prices in the United States, or a guarantee of purchase by Great Britain. Even more disturbing is a difficult situation which has developed in the sugar industry. Until a few weeks ago prices of sugar were fixed by the Board of Commerce. The refiners were urged, if not actually commanded, to hold adequate supplies, and requests to be allowed to export were refused. When prices collapsed they held sugar to a total value of \$60,000,000, and admittedly the whole industry was on the verge of ruin. The Board of Commerce, recognising that it was not without responsibility for the situation in which the refiners found themselves, issued an order fixing the price of sugar by retail in Canada until the close of the year at 21 cents a pound, as against from 11 cents to 17 cents in the United States. But over this decree there was such an angry and universal protest that the Government intervened, suspended the order and provided for an open inquiry before the Cabinet into the position of the refiners and the reasons for the Board's action. As a result of the hearing, suspension of the order was made permanent. The Government disclaimed all responsibility for the order of the Board, but it is not easy to convince the public that ministers had no knowledge of its intention. Four of the six sugar refineries have been closed, throwing 2,500 workers out of employment, and there has been a sensational fall in the value of the shares of some of the companies.

In Canada, too, as in other countries, there is contraction of credit, prices are falling, manufacturers have fewer orders, and there is an increasing number of idle workmen in the industrial centres. The general situation, however, is not alarming. There has been no general reduction of wages. The harvest was one of the best ever gathered, and high prices assure general prosperity in the rural

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communities. The luxury taxes imposed during last session have increased the public revenue beyond all expectation. It is believed that the total income for the financial year from all sources will exceed \$600,000,000. Indeed, the revenue is so abundant that it may be possible to repeal or reduce the levies upon excess profits and leave the industries a greater reserve of capital essential for continuous operation and expansion in a season of falling prices. But the conditions in Canada as elsewhere create many problems for government, the public temper is anxious and unsettled, and the clamour of social and economic healers produces confusion and mischief.

Canada. October, 1920.

AUSTRALIA

I. SIR SAMUEL GRIFFITH

THE death of Sir Samuel Walker Griffith, who had recently resigned the Chief Justiceship of the High Court of Australia, owing to ill-health, removes one of the most eminent personalities of Australia.

Sir Samuel had won distinction at the University, at the Bar, and in politics ; but the memory of his earlier achievements has been eclipsed by the outstanding greatness of the part he has played, during the last quarter of a century, first in the framing and then in the judicial interpretation of the Constitution. Endowed at the outset with brilliant intellectual faculties, a keen delight in their exercise, and a prodigious capacity for work, Sir Samuel Griffith's legal learning and wide political experience established his position as the foremost constitutional lawyer in Australia. In the Federal Convention of 1891 he was the chief draftsman of the "Draft Constitution," which was the basis upon which the present Constitution of the Commonwealth of Australia was built up. Two years later he became Chief Justice of Queensland, and was thus debarred from active participation in the work of the National Convention of 1897-8. But when the High Court of Australia was established in 1903, Sir Edmund Barton, who was then Prime Minister, with characteristic insight and generosity, selected Sir Samuel Griffith for the distinguished position of first Chief Justice of Australia, and himself accepted the position of Senior Puisne Justice.

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During the sixteen years of his presidency of the Court, Sir Samuel consolidated his fame as a great jurist. And especially in the task which devolved on the Court of laying down the principles of interpretation of the Australian Constitution, his keen analytical faculty, and his wide constitutional knowledge were invaluable to his colleagues and to the country. Of course, the ark of the Constitution will not stay for ever precisely as he left it. Like all human activities, the process of constitutional interpretation is subject to the laws of development and change. But the tradition which he founded is a great national possession; and it can be safely prophesied that the reputation of the Commonwealth's first Chief Justice as a great statesman and a great jurist will increase with years.

II. THE CONTINUANCE OF WAR POWERS

THE Government parts very reluctantly with the arbitrary powers with which it was invested during the war. The Federal War Precautions Act, which corresponded to the English D.O.R.A., put powers in the hands of the Executive Government of the Commonwealth as great as have ever been previously possessed by British administrators in any British possession. To begin with, it practically suspended the constitutional restrictions which, in peace time, prevent the Commonwealth from interfering in matters reserved to the States. The federal sphere of authority is constitutionally limited to those matters which are expressly vested in the Commonwealth. As interpreted by the High Court, this Act enabled the Commonwealth to invade any sphere and take any action which, it asserted, contributed, however indirectly, to the successful prosecution of the war. Under its provisions, the Commonwealth Government fixed the prices of commodities in every State, introduced a moratorium for debtors, took almost complete control of the operations

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of Trading Companies, established pools for our principal products, and generally intervened in numberless intra-State transactions which hitherto have been regarded as exclusively within the province of the States. A series of High Court decisions supported this extension of Commonwealth power, as an exercise of the express power of the Federal Parliament to legislate with respect to the defence of Australia.

This, however, was not the only reason why the War Precautions Act was popular with Federal Ministers. It was certainly a great advantage to them to be relieved of the irritating restraints upon the exercise of power which are implied in the possession of independent governing power by the States. It was a still greater advantage to be able to legislate without requiring the direct sanction of Parliament. Almost any purpose could be achieved by the mere gazetting of a regulation. The natural effect of such a state of things was to invest the Executive Government with almost absolute powers. During the war these conditions were accepted by the State Governments, and by the public generally, as necessary for effective participation in the war. But the war ended nearly two years ago, and the instinctive dislike of British people to the exercise of arbitrary power is beginning to assert itself. The legal justification for the continuance of these powers has been found in the fact that we are still, technically, at war with Austria, the proclamation declaring the war at an end not yet having been issued. But this sort of reasoning is not very convincing to the ordinary layman, who feels, reasonably enough, that arbitrary executive powers which are admittedly necessary to meet a national danger can hardly be necessary two years after all danger has disappeared. Consequently, it came as a shock a few months ago when Mr. Hughes, to end a strike of marine engineers, suddenly passed a regulation under the War Precautions Act sequestering the funds of the union, and forbidding the distribution of union funds for the maintenance of the

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strike. This action ended the strike. But it created an uncomfortable feeling that the Federal Government had greater powers than were good for it, powers that in the impulsive hands of Mr. Hughes might be used for purposes that would not commend themselves to the community. However, we are told that these powers are very shortly to come to an end, and by the time this appears in print, we shall probably have reverted to our ordinary constitutional methods. But the last instance of the exercise of these powers has caused more public agitation than any of the earlier ones. This was the deportation, without trial, of a Catholic priest named Father Jerger. The incident has been almost forgotten by now, but in view of the excitement it aroused at the time, it may be worth while to state the facts.

Jerger was a priest who lived and carried out his pastoral duties in a suburb of Sydney. Technically, but only technically, he was a German subject, his father, who died when he was very young, having been a German. Jerger himself had lived practically his whole life in Australia. During the war he was accused by, among others, a brother priest of expressing disloyal and anti-recruiting sentiments in his sermons. There is no doubt this charge was true. He was interned, and remained in internment until the end of the war. It was then proposed to deport him, along with all the other internees of enemy nationality. For some reason, however, his deportation was repeatedly postponed, and when only a handful of internees remained to be deported, Father Jerger was still among them. It was this long delay which caused the trouble. When the time came for him to go, his co-religionists—or a large number of them—made a strong protest against what they called the arbitrary action of the Government in deporting him without any trial. In deference to the agitation, an enquiry was held by the Solicitor-General, Sir Robert Garran, into the allegations against Jerger. Sir Robert Garran reported that his enquiry disclosed no reason for

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interference. Naturally enough, this did not satisfy Jerger's friends. They took legal proceedings, but these failed, Jerger being by law a German subject. Ultimately he was put on board an outgoing steamer, and started on his voyage. But by this time the political possibilities of the affair had become apparent, and the unions of seamen and waterside workers were enlisted to help to defeat the Government's purpose. The seamen on the steamer on which Jerger was being deported refused to work, and matters reached a deadlock. However, by a not very dignified ruse, he was transferred to a P. & O. ship at Adelaide and taken away from the Commonwealth. His friends followed him to Fremantle and even to Colombo in the hope of securing his release or of holding up the ship. But they failed.

The incident aroused the greatest excitement for a time. The agitation was partly sectarian, partly political. It was seized upon by the opponents of Mr. Hughes—and of these there is no lack in Australia—as a means of arousing party hostility. It was interesting as being one of the few instances in Australia in which the trade unions have attempted to use their industrial power to achieve a political end. In this connection, it is rather significant to observe that this form of political activity has not "caught on" with the trades unionists of Australia. The Jerger incident suggested to the extreme section of the trades unionists of New South Wales that in future, when it was desired to use industrial power to modify the political policy of the Government, it was not fair to leave the burden of doing this to the unions that were immediately concerned. They therefore held a special congress at which they formulated a plan under which, on any similar occasion in future, all unions should be called upon to take their part, not necessarily by a definite stoppage of work, but by engaging in a "go slow" strike or a policy of irritation and "sabotage." The scheme was referred to various unions, but with very indifferent success. By many of the

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most important it has been emphatically rejected and treated with ridicule.

At the back of the Jerger incident there was undoubtedly a strong undercurrent of feeling, shared by very many who had no possible sympathy with Jerger's sentiments and no political axe to grind, that the arbitrary use of executive power, for reasons that were not known to the public, should come to an end. It was this aspect of the matter only that gave it any real significance.

The subject of Father Jerger's deportation leads, naturally enough, to a reference to Archbishop Mannix and his political activities in Australia. Archbishop Mannix, like Father Jerger, has loomed large in the recent political history of Australia, partly because of Mr. Hughes's arbitrary and excitable disposition—partly because of sectarian animosities, and partly for purely party and political reasons. The archbishop came into prominence as an opponent of conscription. He is a public speaker of weight and a skilled and dangerous controversialist. Mr. Hughes's methods at the time of the two Conscription Referenda gave him all the material that a controversialist could ask for. He was not content, however, merely to use this material, or to base his opposition on the merits of the question. He imported into it bitter and most unnecessary criticism of the motives of the Allies, and went out of his way to use the real or imaginary grievances of Ireland against Great Britain as an argument against the participation of Australians in the war. Having thus kindled the flame of racial and sectarian bitterness, he fanned it to a blaze by veiled phrases suggesting that hatred of Great Britain which he has since revealed openly in his speeches in America. His speeches then and since aroused the fiercest indignation, not only among Protestants, but among the loyal members of his own church, and reduced his real following—putting aside those who ranged themselves with him merely out of hatred for Mr. Hughes—to the extreme advocates of Irish independence.

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He has been represented, by himself and others, since his arrival in England, as a leader of the democracy of Australia against the arbitrary and tyrannical methods of the Prime Minister. There is in Australia, it is true, a reaction against these methods. But to represent Dr. Mannix as the leader of it is the height of absurdity. He is not, in any sense, a leader of political thought in Australia. He represents nothing whatever except that very limited section of our population which shares the Sinn Feiner's hatred of England, and desires to enlist Australia in the cause of Irish independence. His alliance with any other body of political opinion is purely fortuitous. There is no doubt whatever that a large section of his own co-religionists repudiate his utterances. There is reason to believe that many more of them refrain from repudiating him only because of their desire to avoid public dissension in the Church.

III. WESTERN AUSTRALIAN CIVIL SERVICE STRIKE

A STRIKE, which in many respects is unique in the history of such matters, took place in Western Australia in July last when the State School Teachers joined forces with the Civil Service in refusing to continue work unless their demands for increased salaries were complied with. The root of the trouble lay in the rapid increase in prices which has occurred in that State since the date of the Armistice, and in the fact that the growing deficit in the State Treasury had been responsible for the withholding of normal increments from the senior officers of the two services. In the lowest class in the Civil Service the increments are automatic, but in the higher classes any increments allowed are specially granted each year. A long denial of such increments as a reward for meritorious service goes far in accounting for the presence of senior officers as leaders in the strike movement. The "Dis-

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putes Committee" managed the strike with the assistance of curious "mass meetings" of all the members of the two services that could assemble at short notice in Perth, decisions being taken by a show of hands.

The employees of the State Government may be grouped approximately under the three heads of the Civil Service, the State School Teachers, and the Railway Service. The last-mentioned service having obtained a measure of relief separately, the other two services combined under a Grand Council to enforce their particular demands. In 1919 the members of Parliament increased their own allowance by $33\frac{1}{3}$ per cent. from £300 to £400, and the Grand Council seems to have considered this a reasonable basis for a claim on the part of the two services, for two days before the Prince's departure they lodged an ultimatum demanding an increase of $33\frac{1}{3}$ per cent. on the first £180 of all salaries and also the appointment of a board to deal with the question of salaries. Eleventh hour negotiations drew from the Premier (Mr. Mitchell) the promise of a board on lines which the "Disputes Committee" regarded as entirely satisfactory, but the claim for $33\frac{1}{3}$ per cent. on the first £180 of all salaries was refused, and the services came out on strike. The majority in favour of the strike appears to have been large, and in the early stages of the trouble seems to have had a considerable amount of confidence in the ultimate success of the claim. It is reported that many of them regarded it as certain that the Government could not hold out for a week. The usual strike procedure was followed, pickets being posted and permits being issued in special cases. The Railways, the State Implement Works, and other State trading concerns carried on as usual, and the police remained at their posts; but the courts were paralysed by the absence of officials, children were sent home by teachers on picket duty, and even persons desirous of paying their taxes were turned away.

In the early stages of the dispute there were threats of extension to outside Labour organisations, but after a

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series of conferences between the "Disputes Committee" and a committee representing Labour organisations, these threats died away. What took place at these conferences is not clearly known, but it is believed that representatives of the services drew back from the prospect of a general upheaval in which the price of Labour assistance would have been the resignation by the "Disputes Committee" of the right to call the strike off at its own time.

It is understood that in the matter of funds the services were ill provided for a lengthy period without pay, and an extraordinary demand made in their negotiations for a termination of the strike, was for payment in respect of the time they had been out. The request was, of course, not conceded, but after further negotiations the Government agreed to the appointment of a board, and also to the temporary advance, by way of loan to such as might require it, of pay in respect of the period of the strike. An offer by the services to forego their annual leave in return for the pay forfeited during the strike was met by the reply that, as surplus officers were employed in order to make annual leave a normal incident in the conduct of the departments, the offer did not provide an equivalent for the time lost, and further, that the acceptance of such an offer would constitute a ruinous precedent for future strikes. Finally, when public and services alike were weary of the object lesson in direct action, and when the constitution and jurisdiction of the board had been promulgated by the Cabinet in a letter to the "Disputes Committee," practically binding the legislature in advance, the question of terms of repayment of the strike pay loan was left open, and the services resumed duty on July 30. It has since been settled that for three months no repayment shall be required; thereafter, as from October 1920, it shall be made in two monthly consecutive deductions from the new salaries to be fixed by the Board.

The occurrence illustrates how persons not associated with the industrial movement may, by reason of the fact

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that they are on fixed salaries, feel compelled to resort to the strike weapon to obtain relief from the increasing pressure of rising prices. This is especially so where, as in the case under review, the persons concerned have no tribunal for investigating and redressing grievances corresponding to that furnished by Arbitration Courts and Wages Boards in the case of industrial workers. The various branches of the Federal Public Service, unlike the State services of Western Australia, have the right granted by special legislation to bring their grievances before the Arbitration Court in the same manner as an industrial union, but the provision has certain disadvantages, and a new measure providing for a special Public Service Arbitration is at present before the Federal Parliament.

IV. WHEAT AND WOOL POOLS

DURING the war the attempt made by all belligerents to mobilise their economic resources and direct them to warlike ends took the form in Australia not merely of government encouragement and direction of private enterprise along the necessary channels, but more especially of government management and control of the distribution of many essential commodities. The two most conspicuous examples of this were the Wheat Pool and the Wool Pool, inaugurated and managed by the Commonwealth Government under the powers taken in the War Precautions Act. Not only was it essential that these important commodities should be made available to Britain and her Allies, and not diverted to other, even if more lucrative, destinations, but there was a real danger that without some form of government assistance these two primary industries might be ruined. Australia depends to some extent in the case of wheat, and to a larger extent in the case of wool, upon ready access to overseas markets. The gradual shrinkage

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of transport and the consequent rise in freights threatened to become so acute as to deprive Australia of markets. This was more especially the case with wheat. Australia produces the greater part of the finer wools for the world's market, whereas Australian wheat is a very much smaller factor, and in a bad season hardly suffices for local consumption. Wheat, too, deteriorates very quickly, and is subject to ravages by mice, weevils, etc. The world's demand, therefore, for Australian wool, especially the finer qualities, is very much stronger than that for Australian wheat, and probably some transport would have been found even in the absence of government action.

Wheat Pool.—In 1915 an Australian Wheat Board was formed consisting of a representative of the Commonwealth Government, the Ministers for Agriculture for New South Wales, Victoria, South Australia and Western Australia, and four representatives of the wheat industry. All matters of general policy, such as the handling and marketing of wheat, were determined by them. In addition there was a Wheat Board in each wheat-growing State to supervise the collection and storage of wheat, and a committee sitting in London to co-operate with the Wheat Board by supervising deliveries and making sales. All wheat grown in Australia during the five seasons ending with 1919-20 formed the pool, and was delivered to country buyers as agents for the Wheat Board. On delivery wheat certificates were issued to growers representing an advance on the price of wheat, and the difference between this and the amount realised by the sale of the wheat was to be returned to the grower as dividend. From the pool local requirements were met at a price fixed by the Board, and the remainder was available for export.

Three separate contracts for the sale of this surplus were made with the Imperial Government. The first was for 500,000 tons at 4s. per bushel, the second, 3,000,000 tons at 4s. 9d., and the third for 1,500,000 tons at 5s. 6d.

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The Imperial Government not only provided its own freight but took delivery in Australia and paid for the wheat in instalments before it was even shipped. Also in the case of the second contract they undertook responsibility for losses incurred after the sale. Owing to the ravages of mice, weevils, etc., this contract had involved the Imperial Government in January 1920 in loss to the amount of over £500,000. The British Select Committee on National Expenditure considered this sale "one of the three main sources of loss to the British Wheat Commission," and the Australian Wheat Board points to this as a justification of the business acumen of those who negotiated the sale. During the five seasons covered by the pool the amount of wheat handled was upward of 500,000,000 bushels, of which slightly more than one third was absorbed by local sales.

The Commonwealth Government also attempted to maintain the production of wheat by guaranteeing a price to the grower. For the 1917-18 crop, the guaranteed price was 4s. per bushel, for 1919-20, 4s. 4d., and for 1920-21, 5s.

Wool Pool.—In 1916 a Central Wool Committee for Australia, with committees for each State, was formed, consisting of representatives of the wool interest, growers, and selling brokers. The Chairman of the Central Wool Committee was the nominee of the Commonwealth Government, and also represented the Imperial Government. With the exception of part of the 1916-17 clip, all wool grown in Australia during the four seasons ending on June 30, 1920, formed the pool. The Director of Raw Materials, on behalf of the Imperial Government, purchased the whole of the clip for each season, except what was set aside for local requirements, at a flat rate of 15½d. per lb., which was about 50 per cent. advance on the average price of the three years preceding the war. The Imperial Government also undertook to pay 50 per cent. of the profits made on the resale of wool for civilian

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purposes to the Central Wool Committee as agents for the growers. Every season the clip was appraised by a professional staff employed by the Central Wool Committee, on a commission basis for the first clip, but on fixed salaries for the rest. The wool of different qualities was thus valued with reference to the flat rate of $15\frac{1}{2}$ d., and as the average of appraisal was usually slightly lower than the flat rate, the difference was returned to the grower in the form of a dividend. The grower received the appraised value of his wool, less 10 per cent. retained by the Central Wool Committee, until the appraisal was complete, when it also was returned in the form of a dividend to the grower. As appraisements were made advices were sent to London, and the Imperial Government put the necessary money to the credit of the Central Wool Committee at the Commonwealth Bank, London.

Local woollen manufacturers were allowed the advantage of purchasing from the pool at the appraised, and not the flat rate price. Their demands absorbed in the four seasons of the pool between 2 and $2\frac{1}{2}$ per cent. of the clips. In addition, manufacturers of wool-tops for export, a comparatively new industry in Australia, were allowed to fill their requirements at the flat rate of $15\frac{1}{2}$ d. They operated under arrangements with the Central Wool Committee acting for the Commonwealth Government whereby the latter received a percentage of the profits of the manufacture. In the four seasons the amount of wool absorbed in this way amounted to about one per cent. of the total clips. The amount of wool dealt with by the pool during the four seasons was approximately 2,280,000,000 lb. or 7,000,000 bales.

In these large and complex commercial schemes the authority and power of the Commonwealth Government provided the necessary compulsion to ensure that the whole of the product of these two industries should be combined together under centralised management. Also the credit of the Government and the co-operation of

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the British Government as purchasers of the greater part of the wheat and wool enabled the schemes to be successfully financed. While the policy was directed by the Commonwealth Government as a war measure, the actual administration was handed over, in the main, to business men connected with all branches of the industries concerned, though both the Commonwealth and State Governments had representatives on the various committees. In undertakings on such a large scale it was inevitable that there should have been complaints both of undue political control and of inefficiency in administration. This was especially the case in connection with the Wheat Pool, and investigations in two of the States, New South Wales and South Australia, have shown that there has been at least good ground for complaint as to some of the transactions of the State Wheat Boards. On the other hand, in other States, notably Victoria, the administration has been admittedly good.

How far the two pools succeeded in their first object of helping the war effort of the Allies cannot yet be determined except very generally. The largest of the three Imperial purchases of wheat seems to have been a bad bargain for the Imperial Government, which shouldered responsibilities which might reasonably have been expected to fall upon Australian growers. In the case of wool the Imperial Government certainly secured practically the whole of the Australian wool clips from 1916-17 to 1919-20 for war purposes. The terms, however, as to price, payment and surplus profits were very advantageous to the wool growers.

As to the second object of saving the industries from ruin it is possible to particularise. Even more common than the complaints of the inefficiency of the Wheat Boards was the demand of the grower for the parity of the United Kingdom price of his wheat. From 1917 to the end of 1919 freights for private charter were practically unobtainable, and were quoted at from 6s. to 7s. per

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bushel. The average London price during that period was about 9s. 6d. per bushel, so that the parity was about 3s. per bushel. The price under Imperial contract and for local consumption was first 4s. 9d. and then 5s. 6d. per bushel, so that in either case the grower got more than the parity. This was only made possible by the fact that the British Government, which bought the wheat, provided its own transport. Had the pool not been formed and arrangements made with the British Government, the wheat industry of Australia must first have been disorganised and then brought near to ruin by the price falling and remaining below a remunerative level.

The wool industry might not have suffered to the same extent because of the demand for the finer wools. But the establishment of the pool and the arrangements with the Imperial Government were of inestimable benefit to the growers. They secured a constant market for their wool at a price 50 per cent. above the average of the three years preceding the war, with the further advantage of a half-share in any profits which might be received from the resale of their wool by the Imperial Government for civilian purposes. For the wool, too, the Imperial Government paid cash in Australia within a few days of appraisements before more than a very small quantity of the clip could be shipped.

Two incidental effects of the controls may be noticed. A considerable improvement and standardisation of methods, *e.g.*, of packing and classing wool, is claimed by the Central Wool Committee to have taken place as a result of their instructions and recommendations, while the magnitude of the operations of the Wheat Pool has given encouragement to long-discussed plans for handling wheat in bulk.

The Wheat Pool ended with the 1919-20 crop and the Wool Pool with the 1919-20 clip. The question vigorously canvassed this year in each case has been whether the pools should be continued with or without government aid.

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Early this year, as the result of a conference of wheat-growers, a deputation waited on Mr. Hughes and put before him a scheme for the continuance of the Wheat Pool in a compulsory form, but managed by the growers. Mr. Hughes refused to sanction compulsion, but offered to aid the scheme if, by a referendum, growers showed that 90 per cent. were in favour. Nothing came of this for some time until in August it was announced that the State Governments had decided to act. For the crop of 1920-21 there will be a compulsory pool under the authority of the States, managed by a central board which will control the export and sale of surplus wheat and the price for local consumption.

The Wool Pool ended on June 30, 1920, but before this date the difficulty of a return to normal pre-war arrangements for marketing the clip of 1920-21 was foreseen. The growers wished for a return to an open market, especially as they might then be able to take full advantage of the very high prices for wool in Europe. But the difficulty lay in the fact that the British Government still held large unsold stocks of Australian wools, especially of the coarser kinds, both in Australia and in England. This amounted at the end of 1919 to 2,250,000 bales, and, in addition, the British Government held 1,794,000 bales of other wools. If these stocks were to be marketed in 1920 and 1921 it would need careful consideration and handling if they were not to prove an impediment to the sale of the new clip of 1920-21. Two schemes were proposed in Australia in 1919 and 1920 to meet this difficulty when the Wool Pool came to an end.

The first scheme came from the wool-growers and selling-brokers, who agreed to appoint representatives to an Australian Wool Council which should only deal with the forthcoming clip of 1920-21. The Council was to arrange that all wool should be sold at public auction in Australia. There was to be no compulsion, but offerings at auction were to be regulated so that the wool industry (and in-

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cidentially the price of wool) would be "stabilised." This control was to end on June 30, 1921, but for the time the authority of the Commonwealth Government was to be invoked to restrict export if necessary. Before approaching the Government the Australian Wool Council decided to submit the scheme to the growers. The vote was taken in May 1920. Since less than half of those who received ballot papers voted, although of these almost 75 per cent.—the proportion desired by the Council—approved the scheme, it was then definitely abandoned.

The second scheme was that placed by Mr. Hughes before the wool-growers in May. It consisted of two proposals which had no necessary relation to each other. He proposed that auction sales of Australian wool in London should be suspended from September 30, 1920, until May 1, 1921, and during that period their place should be taken by auction sales of the 1920-21 clip in Australia. After May 1, 1921, normal market conditions were to prevail. There was to be no compulsory pool, and no price-fixing, but in order to ensure the success of the scheme the export of wool from Australia was still to be prohibited without the consent of the Minister of Customs. This proposal was discussed by the wool-brokers and wool-growers and accepted. Later, however, it was announced that the British Government intended to hold auction sales of Australian wool in London up to the end of 1920. After further negotiations between Mr. Hughes and the representatives of the wool industry, it was decided that public auction sales of the 1920-21 clip would begin in Australia about October 1, 1920. But there is to be no prohibition of export, and growers will be free to export or sell in Australia as they wish.

In June of this year the whole matter was complicated by the resignation from the Commonwealth Ministry of Mr. Watt, who was in London negotiating with the British Government about the wool-clip. Information as to those negotiations is still scanty, and it is not yet known in what

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form proposals for dealing with the new clip were put before the British Government. At the time of writing (September, 1920) final arrangements are not yet complete, but the chief difficulty to be overcome is still that of preventing the large "carry-over" from previous clips clashing with the new clip.

The other proposal of Mr. Hughes's scheme referred to the profits made by the British Government on the resale of wool for civilian purposes. Half these profits are due to the growers, and varying estimates have been made of their amount, ranging from £40,000,000 downwards. But until all the wool of the four seasons is sold and accounts adjusted no one can say whether this figure is anywhere near the mark! Large profits have been made on the resale of the finer wools, but against this must be set off the possibility that some of the coarser wools may not realise even the flat rate of 15½d. The growers' share of these profits is to be paid in instalments, the first of which is a sum of about £6,500,000 due on sales up to March, 1919.

Since the Commonwealth Government owed to the British Government at the beginning of 1920 a sum upwards of £40,000,000 for war services, such as the maintenance and equipment of the A.I.F., and had promised speedy repayment of about £9,000,000, it seemed to Mr. Hughes a good opportunity to set off against this the profits on wool. He, therefore, proposed to arrange for the British Government, instead of paying about £10,000,000 on account of accrued profits, to reduce the Commonwealth Government's indebtedness by that amount. The wool-growers, to whom the money belonged, were to receive instead of cash Commonwealth interest-bearing bonds with a currency of five years. The balance of the wool profits, as they became payable, was to be treated in a similar way. As a mere matter of book-keeping and a possible saving in expense, there was something to be said in favour of the proposal; but, in effect, the Commonwealth Government, by substituting bonds for cash, was raising a compulsory

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loan from the wool-growers to meet its war expenditure. This objection was raised by the growers, and this part of the scheme, left over for further consideration when they accepted the first part, was afterwards rejected.

Even though those whose products formed the pools may be prepared to admit that on the whole these enterprises were successful, and even essential, during wartime, their experience of Government control and price-fixing has not convinced them of its use in normal times. In the case of wheat the extension of the pool is to be merely temporary for one year, and the reason alleged is that the Federal Government had guaranteed a price of 5s. per bushel for the next crop. None the less the value of co-operative action in strengthening the economic position of the growers by enabling them to regulate the supply of their products to the market has not escaped their notice. The experiment was made under Government control and with the financial support of its credit, but the experience in administering large enterprises and the machinery created would have been exceedingly valuable if the growers had decided to continue their united action. In view of the facts, however, that the Wheat Pool is to be temporary, and that less than 50 per cent. of the wool-growers took the trouble to vote on the scheme of the Australian Wool Council, it does not seem likely that concerted action of a nature similar to the pools will be undertaken.

Australia. September, 1920.

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I. POLITICAL

THE session which closed last month was in some ways the most remarkable since the Union. The result of the elections for the House of Assembly in March was that 44 Nationalists, 44 South African Party (including three Independents who usually vote with them), 25 Unionists and 21 Labour members were returned. For the first time the Nationalists were the most numerous party in the House, and their supporters throughout the country were naturally elated by their success. On the other hand, the South African Party, from which the additional Nationalist seats had been won, and the Unionists, who had lost heavily to Labour in the urban areas of the Transvaal, were correspondingly depressed. In these circumstances, General Smuts had to decide whether he should meet Parliament, relying on the Unionists to support his Government in the new Parliament as they had done before, or whether he should resign. It was quite clear what the consequences of his resignation would be. No other party leader could attempt to form a government with any prospect of success, and an immediate dissolution would have followed with a fresh appeal to the country. It is useless to speculate on what the result of such an appeal would have been. General Smuts decided to meet Parliament and to carry on his government with such support from other parties as he could get. The event showed that only one of the four parties—the Nationalists—really set itself to turn out

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the Government. The Unionists almost consistently supported it, and the Labour Party, though they had promised the electors that no consideration for the Government would turn them from pressing their policy on the House, twice walked out rather than vote in divisions where it seemed likely that a combination of their votes with those of the Nationalists, would bring about a Government defeat. With this support, given only because no party except the Nationalists desired another election, the Government not only survived a session of more than ordinary length, but carried through a formidable programme of legislation, including some measures of a highly contentious character.

The most important acts passed were those connected with the financial situation of the Union and the increasing cost of living. Those in which an effort was made to control the increase in the cost of living aimed at prohibiting undue profits on the sale of goods, at restricting dealings in foodstuffs so as to prevent speculation, at appointing Rent Boards in towns to control increases in rents of dwelling-houses, and authorising loans from public funds for assisting the provision of additional housing accommodation either through municipal or private enterprise. These, for the most part, followed the lines of similar legislation in the United Kingdom and elsewhere. The financial situation was dealt with in an act for regulating the currency and establishing a Central Reserve Bank. The details of the Act will be dealt with in a later section of this article. It need only be said here that the principles on which the Act was based were new and far-reaching. They gave rise to a cleavage of opinion among those who professed to understand the subject which cut across the lines of party division, and roused that intensity of debate which is generally associated with theological disputes.

Important as the work done in Parliament was, political interest, especially towards the end of the session, was

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centred in the efforts that were being made outside Parliament to bring about a reunion of the two parties which mainly represent the Dutch section of the people. These efforts were the culminating point of a movement which has been going on for some considerable time, and which has steadily grown in strength. Even the Churches have lent their powerful influence to it, and have characterised the existing political division among their people as something little short of sin. Behind it all, no doubt, is the strong racial sentiment which regards with instinctive aversion a political division which destroys the old racial solidarity and threatens to leave the Dutch people powerless to act on racial lines in defence of racial interests. Because of that it makes a strong appeal to a race consciousness which is particularly deep and tenacious. At the same time General Smuts and other leaders of the South African Party, while welcoming, as they were bound to do, any movement towards reunion on reasonable lines, have steadily set their faces against a mere racial union. They have laid it down as a principle of any reunion to which they could be a party, that it must not exclude South Africans of British race or be based on a policy to which British South Africans could not possibly agree.

The movement for reunion, as has been said, has been on foot for some considerable time, and from time to time at various places throughout the Union, meetings have taken place at which the local members of the South African and Nationalist parties have tried to agree upon a common statement of policy which might serve as the basis of a general reunion. The great stumbling block, of course, has been the question of the relations of South Africa to the British Empire. The avowed policy of the Nationalist leaders at present is to procure the peaceful secession of the Union from the Empire. They claim that the right of secession is an inherent right of every Dominion, and is acknowledged both by Imperial and Dominion statesmen, and they hold that the exercise of that right

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is the supreme need for South Africa. It may be doubted, indeed, whether, if the party were in power, the more responsible element, especially in the Cape Province, would be willing to force the right of secession into practice. But at present, while the party is in opposition, no voice but that of the extremist is heard, and practical difficulties are ignored or swept aside. The South African Party, on the other hand, while not renouncing the idea that the ultimate development of the Dominions may lead to independence, regards the issue as one which can only be decided on by the great majority of both races, and refuses to allow the co-operation of the British and Dutch, which was the ideal of the late General Botha, to be destroyed by raising the question of independence on a racial basis. The reunion meetings to which reference has been made had therefore to find some formula on the independence question which would be acceptable to both these points of view, and so far that has been the rock on which they have split.

The best known of these local meetings of the two parties was that which was held at Robertson in the Cape Province.

Thirteen points were there agreed upon, of which two—Nos. 3 and 4—dealt with the relation of South Africa to the Empire. They are as follows :

(3) "In order to attain the necessary and desired reunion a beginning shall be made by co-operation under the motto 'South Africa First,' which shall have as its principal object the development of the country and the people by constitutional means on sound and clearly defined South African national principles : (a) the ideal of sovereign independence (*i.e.*, the right of secession from the United Kingdom), which was and is well known with a section of the people, is admitted ; but this ideal shall only be considered ripe for realisation when this rests on the broad basis of the popular will. It is clearly understood that no propaganda for or against the movement for independence

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shall be made until such time as the National Congress, which is to be held at Bloemfontein on September 22, 1920, shall have decided thereon. (b) While the existing connection with the United Kingdom is one of equality in theory, it is necessary that such equality shall be applied practically. It is furthermore against the interests of South Africa that any attempt shall be made or any policy adopted which shall in any way extend South Africa's obligations towards the United Kingdom, and that such an attempt or policy shall be opposed.

(4) "Disapproval of the establishment of a Federal or Imperial Parliament, Cabinet or Legislative Body representing the United Kingdom of Great Britain and Ireland and the Dominions or Territories."

It will be observed that the resolution, No. 3, quoted above, refers to a National Congress to be held at Bloemfontein on September 22, 1920. This was in reality a congress of delegates of the South African and Nationalist Parties from all over the Union, which was to come together as the culmination of the local movements towards reunion and endeavour to bring them to a successful issue. The approach of this congress produced a marked change in the attitude of the parties to each other during the latter part of the session of Parliament, and, when Parliament rose early in August, the general opinion in political circles was that a complete reunion was likely to be brought about. A speech of the leader of the extreme Nationalist section in the Transvaal repudiating any idea of compromise on the question of independence or any abandonment of the propaganda, was openly censured by the chief Nationalist organ in the Cape, and a split in the party was openly discussed. As time went on, however, the official utterances of the party veered round to the line of no compromise, and a speech delivered at Worcester on August 21 by Dr. Malan, the leader of the party in the Cape, and one by General Hertzog at Pretoria on the eve of the Congress, made it clear that if any reunion were to

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take place as the result of the Congress, it would be by the surrender of the South African Party on the all-important issue.

As early as June last the Head Committee of the South African Party had defined the position which the party was to adopt in regard to the coming congress. In an open letter to the party, signed by General Smuts as Chairman of the Head Committee, the following principles were laid down as a basis for any reunion which they could accept :

(1) The people of South Africa does not desire to limit its future political development as a free people, and leaves the door open for the evolution of that freedom under Divine Providence. It recognises, at the same time, that any far-reaching change in our form of government can only rest, just as the establishment of our present Constitution of the National Convention, on the broad basis of the united will of the people—namely, on the co-operation of all sections of the white population, and not merely on a Parliamentary majority.

(2) With a view to giving effect to the strong desire of the people for peace and unity, and having regard to the sharp division of opinion on constitutional questions, it is accepted that it is not in the best interests of South Africa to agitate for any change in our form of government as laid down in the Constitution ; and that our constitutional development shall be left to the natural course of circumstances.

(3) No obligations or responsibilities towards other parts the British Empire, or other countries shall be undertaken which are contrary to the interests of South Africa or which detract from the existing status of South Africa.

(4) In application of the above fundamental principles, no distinction of race as regards the European population is recognised, but all who wish to co-operate on this basis are welcome in the reunion movement.

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The Congress duly met at Bloemfontein on September 22, and the Robertson resolutions above mentioned were put forward as a basis for reunion. Mr. Malan, Minister for Mines and Education, put forward, on behalf of the South African Party, an amendment on the lines laid down in the Head Committee's letter, and a joint committee of the two parties sat to agree, if possible, on a resolution which could be brought up to the Congress embodying a basis of agreement. After prolonged sittings, however, no agreement could be reached, and the Congress dissolved without achieving its object.

Although as regards its ostensible object the Congress has failed, it is only reasonable to suppose that it cannot but have far-reaching effects on the existing political situation. One of them which is generally expected is that a certain section of the South African Party which has had leanings towards the Nationalist camp may take the opportunity afforded by the rejection of the Robertson basis of reunion to break with their old allegiance. This expectation is, no doubt, fostered by the results of the elections for the Provincial Councils of the Transvaal and Cape Province, which took place in August and September respectively, and which resulted in substantial gains for the Nationalists at the expense of the South African Party, more particularly in the Cape, where the South African Party now numbers seven out of a total of fifty-one. The other effect which may possibly come out of the Congress is a more complete co-operation between the parties which stand for the maintenance of the Constitution in its present form. The attitude of the South African Party at the Congress has shown that the ideal of the late General Botha of a policy supported by South Africans of both races, has appealed to an important section of the Dutch people as the one safeguard against racial division and civil strife in South Africa. The fact that they have stood firmly by this ideal against the allurements of a racial reunion is a testimony to their sincerity which

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is likely to evoke a response from British South Africans who so far have stood outside the South African Party.

General Smuts has lost no time in raising the issue. In a letter to the district committees of the South African Party summoning a General Congress of the party to meet on October 27, he claims that, as the effort at reunion has failed, and as the Nationalist Party "has firmly resolved to continue its propaganda for fanning the fires of secession and of driving the European races apart from each other, the moderate elements of our population have no alternative but to draw close to one another." He therefore appeals to "all right-minded South Africans, irrespective of party or race, to join a new party which will be strong enough to safeguard the permanent interests of the Union against the disruptive and destructive policy of the National Party."

This proposal, if it is adopted by the South African Party Congress, as presumably it will be, practically brings about the situation contemplated by Sir Thomas Smartt at the Congress of the Unionist Party in October of last year, when he stated that the party would be prepared to co-operate with General Smuts in a party formed for the maintenance of the Constitution and the peaceful development of South Africa. So far Unionist opinion has welcomed the proposal, and there seems to be little doubt that if it is adopted by the South African Party it will open the way to a great measure of racial consolidation in South African politics.

II. THE CURRENCY AND BANKING ACT

THIS Act has two main divisions. The first deals with the currency. The second provides for the establishment of a Central Reserve Bank for regulating the banking business of the country.

The first part of the Act was required to meet the difficulties experienced by the banks, and through them by

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the business community, owing to the fact that South Africa was by law bound to a currency based on gold, which in practice it was unable to maintain. By the law, as it stood before the new act, legal tender in the Union consisted of British gold coin and also British silver and copper coin up to the same amounts as in the United Kingdom. Certain banknotes issued in the Cape Province against Government securities deposited by the issuing banks up to the full amount of the notes were also legal tender elsewhere than at the bank of issue. Besides these notes the banks issued notes in the other Provinces which were not legal tender, but which circulated freely, more especially after the war, when the difficulty of getting gold coin forced the banks to economise in its use and substitute paper as far as possible—though, as has been stated, they could not refuse gold on demand even for their legal tender notes. The effect of this replacement of gold by paper, accentuated by a great expansion of the business of the Union and the enhancement of prices all round, was naturally reflected in an expansion of the paper currency, and accordingly the note issues of the banks, which at the end of 1913 amounted only to £2,100,000, had risen at the end of March, 1920, to £9,000,000. At the same date the total holding of gold coin by the banks was just under £7,000,000. This was the only gold reserve in the country for the note issues of the banks and for their ordinary deposit liabilities amounting to upwards of £90,000,000. The export of gold coin has been prohibited since the war, but that has not prevented a constant drain taking place. The price of gold in the Eastern markets has offered an inducement against which the most drastic prohibitory legislation has little chance of prevailing. Leakage of gold is all the more easy in South Africa because the natives working on the mines of the Witwatersrand have hitherto been paid in gold, and of this gold a considerable proportion is regarded as lost to the Union, especially of that which is paid out to natives from the Portuguese Province of

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Mozambique. It is estimated by the Treasury that during the two years ended March 31, 1920, gold coin to the value of £2,945,000 disappeared from circulation, and, although this figure can only be regarded as an approximation, there is no doubt that the gold coin held by the banks was subject to a steady drain on a considerable scale. The banks were therefore under the necessity of importing to maintain their gold reserves. During the war it was only with the greatest difficulty that leave could be obtained from the Imperial Government to import even the comparatively small quantity of sovereigns required to make good the depletion of the gold currency. There is no mint as yet in South Africa (a mint is now in course of construction), and we were in the curious position that, while the gold mines of the Rand were producing and sending away bullion to the value of nearly £40,000,000 per annum, the banks had the greatest difficulty in importing half a million sovereigns from time to time to maintain the currency of the country. When the war restrictions on the bullion market were removed, gold at once went to a premium in sterling money, and the banks found themselves in the position that, while they were bound by law in South Africa to pay out a gold sovereign on demand as the equivalent of £1 sterling, they could only import the sovereigns at a premium which at one time was over 40 per cent. In other words, they had to pay up to 28s. in England for the sovereigns which they were obliged to hand out for 20s. here. Owing to the war restrictions on movement of gold coin, the holdings of the banks in gold coin had fallen below the point at which prudent banking would require that they should be kept, and the banks in consequence were driven to restrict business. The effect was first felt by the exporters of wool and other produce, and for a time, at certain ports, they had a difficulty in negotiating drafts on London. The stimulus which had been given to South African exports during the war, the greatly enhanced prices ruling for wool and other produce,

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the expenditure of large sums by the Imperial Government for warlike operations in East Africa, had all resulted in the South African banks accumulating large balances in London. To import gold was only possible at ruinous cost, and was only done when the holding of gold coin absolutely required replenishment. The banks therefore decided to offer exchange on London at rates which would attract buyers, and in consequence the selling rate for telegraphic transfers, which at the end of the year was at par, moved in February, 1920, to $1\frac{1}{4}$ per cent. discount, and on May 1 stood at $7\frac{1}{2}$ per cent. The buying rate during the same period moved from $\frac{1}{16}$ ths to 8 per cent. discount. The effect of these rates—unprecedented for South Africa—was to unsettle business seriously, and to drive liquid capital out of the country. Bank deposits ran down, and the gold-mining companies found that the premium on gold, on which the low grade mines were depending to meet their enhanced costs of production, was largely neutralised by the discount at which they had to negotiate their drafts against the sales of gold in London.

The Government then decided to alter the legal basis of the currency by substituting gold certificates for gold coin as the legal tender, and, after a Select Committee of the House of Assembly had exhaustively enquired into the matter, a bill was introduced by the Minister of Finance and became law as the Currency and Banking Act. The first part of the Act authorises the Treasury to receive gold coin or bullion and to issue certificates therefor—in the case of coin at the face value of the coin, and in the case of bullion at £3 17s. 10½d. per standard ounce. These certificates are legal tender to any amount, and are equivalent to gold for all purposes for which gold is required to be kept. They are redeemable by the Treasury in gold on demand, but when the market price of gold in the Union exceeds £3 17s. 10½d. per standard ounce the Government may suspend such redemption. While such suspension is in force the Treasury is empowered to compel

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banks in the Union to deposit the whole or any portion of their gold coin and to receive gold certificates in exchange. The provisions in regard to suspension cease to have effect after June 30, 1923.

The Bill gave rise to keen and protracted debate, both in the Select Committee and afterwards in the House, a debate which divided members without regard to party and which, both as regards its matter and manner, showed the House at its best. The chief opposition to the Bill came from those who regarded the issue of gold certificates as a definite abandonment of the gold standard, and as thereby opening the door to further inflation of the currency and consequent enhancement of the cost of living. They maintained that the only sound course was to remove the embargo on the export of specie and thus make South Africa in fact as well as in name a gold standard country. The advocates of this view, however, failed to convince the House that in the present state of the world's markets South Africa would be able to maintain an effective gold standard, or that the cost of living would be materially affected by its efforts to do so. On the contrary, it was generally believed that the attempt to maintain a gold standard in South Africa would involve such a dislocation of the exchange rates with the United Kingdom, with which the great bulk of South African trade is done, and on which South Africa depends almost entirely for its capital, that something like a commercial catastrophe would be the result. The only concession obtained by the opponents of the Bill was the limitation of the power given to the Government to make the certificates inconvertible to a period of three years. After June 30, 1923, the country will, in the absence of further legislation, automatically revert to a gold basis. By that time South Africa will have its own mint, and, if the objects aimed at in the other part of the Act have been attained, the holding of gold coin in South Africa will have reached a point much above that at which it stands at present.

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The second part of the Act provides for the establishment of a Central Reserve Bank with a capital of £1,000,000, of which one-half is to be subscribed by the South African banks in proportion to their present capital and reserve funds. The other half is to be offered to the public, and any part of it not subscribed by the public will be taken up by the Treasury. The bank will be administered by a board of eleven, of whom three will be elected by the subscribing banks, three by the other stockholders, and five (including a Governor and Deputy Governor) will be appointed by the Government. The profits of the bank after a dividend of 6 per cent. has been paid to stockholders, are to go to a reserve fund, and after that fund amounts to 25 per cent. of the paid-up capital and until it is equal to the whole paid-up capital, one-half is to go to the reserve fund and the remaining half equally to the stockholders and the Government. After that any profits after a 10 per cent. dividend to stockholders, are to go to the Government, but so long as the gold certificates issued under the first part of the Act are inconvertible, any profits after a 6 per cent. dividend to stockholders are to be used in buying gold. The Bank may establish branches in the Union, and with the consent of the Government, outside the Union, and may, subject to certain restrictions, carry on the usual business of bankers. The most important of these restrictions are that it may not advance money on mortgage or own fixed property except for its own business premises, that it may not make unsecured advances, draw or accept bills payable otherwise than on demand, accept deposits for a fixed term or allow interest on credit balances on current account. The Bank is to be the sole bank of issue for a period of 25 years, but until it is in a position to issue its notes, the existing banks may continue to issue their notes, provided that they hold gold specie equal to at least 40 per cent. of their notes in circulation. This last proviso is not to apply to the existing issue of legal tender notes already referred to in this article. The

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notes of the Central Bank are not to be legal tender, but are to be receivable in payment of any money due to any Government department as taxes or otherwise. Its issue is to be secured by gold or gold specie to at least 40 per cent., and as to the remainder by commercial paper or trade bills, and also by a first charge on all the assets of the Bank. These reserve requirements may be temporarily suspended with the consent of the Treasury and subject to the payment of a graduated tax on the note issue rising as the gold reserve falls below 40 per cent., and subject also to a corresponding increase in the interest and discount rates of the Bank. In addition to the note reserves already described, the Bank must hold in gold or specie at least 40 per cent. of its deposits and bills payable, but in the case of this reserve the specie may include silver up to 20 per cent. of the total. The other banks are required to keep reserve balances with the Central Bank equal to 13 per cent. of their demand liabilities in the Union (other than notes which are specially provided for as described above) and 3 per cent. of their time liabilities to the public, but this provision does not come into full force for three years, and during that time a reserve balance of not less than 10 per cent. of demand liabilities is required. By demand liabilities is meant all liabilities payable within 30 days, or subject to less than thirty days' notice.

These are the main features of the new institution established by the Act. The existing banks naturally object to having to provide half the capital for establishing another bank which in certain very important departments will be a competitor. The Labour Party object to the new Bank on the ground that it ought to be wholly a State institution. Apart from these special objections there is a general consensus of opinion that some organ of control is necessary to prevent undue inflation such as the rising markets of the past few years are apt to cause. When the banking business of the country is in the hands of two or three institutions competing strenuously with each other

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for business it is very difficult for them in times of speculation and rising prices to exercise that steadying influence which is necessary to prevent a dangerous inflation. It is a common complaint here that the banks by granting credits for purely speculative business have contributed largely to the inflated prices which now prevail. There is no doubt an element of truth in the complaint, and to that extent a central bank such as this will provide a measure of control. Whether it will prove sufficiently adaptable to meet the needs of the business of the country under widely different conditions from those which exist now is yet to be seen. It is an experiment based admittedly on the Federal Reserve Bank of the United States, and it is not at all certain that it will fit easily into South African conditions. It is not improbable that if it should not prove to be a success in its present form it may give place to a State bank intended not merely to serve the purposes of a central reserve bank, but also to prevent the banking business of the country being entirely in the hands of one or two powerful corporations—a state of things which, in view of recent bank amalgamations here and elsewhere, seems to many people to be imminent.

III. THE DOMINION STATUS

IT is understood that the principal matter for discussion at next year's Imperial Conference will be the definition of the new relation in which the Dominions stand to the United Kingdom and the rest of the Empire as the result of the war and its settlement.* During the war Dominion Ministers sat as members of the Imperial War Cabinet.

* Since this article was written it has been announced that the meeting of the Dominion Prime Ministers this next summer is not to be the special Constitutional Conference foreshadowed in the resolution passed by the Imperial War Conference in May 1917.

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After the war they sat as members of the Peace Conference. The Dominions were actually parties to the Treaty of Versailles and the Covenant of the League of Nations, as if they were independent nations. It is clear that whatever the new relationship is between the various members of the Empire, it is one which has far outgrown that which before the war was recognised in international law and constitutional theory as the constitution of the Empire. Further, the new relationship is one for which so far no constitutional theory has been found adequate. We are told emphatically, both by British and Dominion statesmen, that the old order has ceased. But no one has yet ventured to define a new order except by negation of what went before.

In the stress of war precise definition and adjustment were unnecessary. *Inter arma silent leges*. In the ferment of the Peace Conference the claim of the Dominions to be there as parties, backed by the influence of the Empire, prevailed, and constitutional theory again was left outside. But it is obvious that as soon as ordinary peaceful intercourse is resumed between the nations of the world, some answer must be found to the questions which so far have been thrust aside by the practical exigencies of the time.

General Smuts has on many occasions since his return to South Africa laid stress on the new *status* to which South Africa has attained as a Dominion of the Empire. He laid special stress on it during the recent election campaign as against the secession propaganda of the Nationalists. No one certainly can speak with more intimate knowledge of the part which the Dominions took in the War Cabinet or in the Peace Conference. His words therefore carry an authority which is more than personal. In a speech in the House of Assembly during the recent session General Smuts made a considered statement on the subject. The old system of the Empire, he said, had disappeared under which there was one dominant member who could conduct affairs for the rest and speak for the

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rest, and the problem arose how they were going to conduct the affairs of the Empire on a common basis when they had no longer one Great Power speaking for the whole, but six independent, equal, free members. The change, he said, was recent. It found its formal expression in the participation of the Dominions in the deliberations at Paris, and in their signing the Peace Treaty. That was the formal recognition of the new position of the Dominions—that in foreign relations they were to take a part and speak for themselves, and that they would no longer be bound by the voice and signature of the British Government. He looked to the Conference of next year to give some expression to the new position, and he proceeded to lay down certain principles which, he said, were generally agreed upon by all the parties concerned. There was, he said, practically a unanimous opinion that the British Empire could only continue to exist on a basis of complete freedom and equality. There was also a general agreement that the Empire could only act together by the complete unanimity of its members. A majority of the free and equal partners of the Empire could not be given the power to pass resolutions on behalf of the Empire which would bind the minority. They must look on that as a bedrock condition. He could never agree to the voice of South Africa being smothered or the opinion of South Africa being coerced by the rest of the Empire, and he was sure the other Dominions would take up the same position. The only organ of common action therefore was the Conference at which they could interchange ideas, and either agree unanimously on common action or agree to differ. If they wanted to reach the goal, and if they wanted to remain in harmony with the British Empire and keep all the parts working in harmony together for so long as Providence should will it, so they must follow this system. It was a system of free deliberation and consent. The final decision, so far as this Union was concerned, rested and would always rest with one country and with one

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body only. That was South Africa, the South African Parliament and Government.

Up to a point the position as thus stated is clear. The partners of Empire are not only to stand on a basis of complete equality, but there is to be no common action except by the unanimous consent of all. What is not so clear is how this will work in practice, and what meaning, if any, is to be attached to membership of the Empire as far as the Dominions are concerned. Is any member to be free to be neutral in a war in which the rest of the Empire is engaged, or even to form alliances with other nations with which the Empire may be at war? If so—if one of the Dominions is not to be bound by the decision of the others on a question of peace or war—it is hard to see how it could continue to be regarded as a member of the Empire either by the other members or by foreign nations. A decision on the part of a Dominion to stand out of a resolution which committed the rest of the Empire to war, would be an act of secession. It follows, therefore, that if the Dominions are not to be bound as regards any common action except with their own consent, their position would seem to carry with it the right to secede from the partnership at will. But if the right of secession is conceded as being inherent in the new Dominion *status*, then the *status* of the Dominions is to all intents and purposes one of complete independence. Their participation in the Empire would be nothing more than a very loose alliance with no implication of mutual obligations. There would be no one who could speak for such a body whose authority would be accepted by other powers. A common foreign policy would be a matter of extreme difficulty and common action on any emergency an impossibility.

These considerations bring us back to the point that the Conference of next year will have to consider a question of no ordinary difficulty. It is clear that no short cut towards closer organisation of the Empire will be welcomed

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by the Dominions, and efforts in that direction may retard rather than strengthen the spirit of unity within the Commonwealth. They are too conscious at present of their own achievements and of their newly realised position in the world of nations. Each one at present is conscious of having taken a great share in bearing the burden of a world war which struck at the centre of the Empire, of having done much and made great sacrifices to help the centre. But the next war or threat of war may be one in which a Dominion is menaced because of some question of foreign policy arising from its own peculiar needs or conditions, and then the balance of obligation will lean the other way. It is only experience in dealing with its foreign relations in its present condition of semi-independence that will bring home to any Dominion—certainly to South Africa—the helplessness of a combination of nations which has no common voice and no instrument of common action. Till that experience has been gained constitutional anomalies and contradictions must be put up with. Haste in such matters is the greatest enemy to speed or to permanence.

South Africa. October, 1920.

NEW ZEALAND

I. PARLIAMENT AND POLICY

OUR twentieth Parliament met on June 24. From the Ministry the people had the right to expect a national, far-seeing and progressive reconstruction policy, from Parliament the transaction of business free from party bickering and partisan tactics. The Prime Minister had come back from the elections with a substantial majority over any combination of parties. He had declared his determination not to revert to the old party system, and expressed his hope that in future the government of the country would be on different lines from those which had obtained in the past. He had led the country to believe that the Government and its policy would be national in character. But the Governor-General's speech might almost have been formulated for defeated and exhausted Germany instead of for victorious and vigorous New Zealand with her wealth of resources awaiting development, and her prestige high in the world. A "litany of woe" is how one member described it, while it afforded some justification for another's reference to it as "a frank admission that the Government was bankrupt for a constructive policy." It began by sounding a note of "great anxiety" and a repetition of what the Government could *not* do, made a show of some machinery and consolidating measures, contained some platitudes about the avoidance of extravagance, the encouragement of industry and

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economy, and the necessity for friendly relations between employer and employed, but left the House and the people cold. It read like the pronouncement of a government afraid of the future and lacking confidence in itself.

Out of the flood of talk that always occurs in the debate on the Address in Reply, when members are hansardising themselves for their constituents, emerged three votes of want of confidence. The first, moved by Mr. Holland, the leader of the Labour Party, expressed the disapproval of the House at the Government's failure to provide a system of proportional representation, to combat effectively the high cost of living and provide homes for the people, to secure adequate coal and other fuel supplies, to proceed with the necessary public works. This was defeated by 39 to 16, a certain number of the Liberals voting with the Labour Party, others, including the Leader, leaving the Chamber. There followed a simple expression of the House's want of confidence in the Government as at present constituted (moved by Mr. Macdonald, the leader of the Liberals). This was defeated by 45 to 23, the Labour members voting with the Liberals. Then came a motion by Mr. C. E. Statham, member for Dunedin Central, a former Government supporter who had been returned as an Independent, that the "Government should, if not elected by this House, at least be elected by the members of the dominant party in the House." In the course of his speech, which led to personal recriminations and party manœuvring, he explained how in 1918 a progressive party of 13 members of the Reform Party was formed with a view to claiming some measure of independence in the expression of their opinion and the exercise of their vote, one plank of the party being the election of Ministers. Eventually the party split up, and three of its members were made Ministers, Messrs. Par and Lee, Ministers of Education and Justice, and Mr. G. J. Anderson, member for Mataura, Minister for Internal Affairs. This motion was defeated by 41 to 30, the latter number includ-

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ing Liberals, Labour, some Independents and some of the old Progressives. The closeness of the vote may be fairly taken as an indication of the dislike of our present party system of Government, and of the somewhat tyrannical autocracy into which it has developed. As the result of these decisions, the House may now be grouped as follows: Reform 44, Liberal 18, Official Labour 8, Independents, including Progressives, 10. The disclosures made by Mr. Statham, whose reputation for sincerity and honesty of purpose stands high, suggested the reason for the procrastination in the choice of the Cabinet, which has been formed on the old party lines and just completed by the appointment of the Hon. Sir R. H. Rhodes, K.B.E., as Minister of Defence. Sir Heaton Rhodes was Postmaster-General and Minister of Telegraphs in the former Reform Cabinet, but relinquished his portfolio on the formation of a National Government for war purposes. If Sir James Allen's method was *fortiter in re*, that of Sir Heaton Rhodes is rather *suaviter in modo*, and his appointment is an indication that for the present our Defence policy will be a "mark time" one.

In the debate on the Address in Reply it was only in the Upper House that any reference was made to the Imperial Problem. Mr. Triggs called attention to the danger in General Smuts's contention that any self-governing Dominion is entitled, if not bound, to render an account of her stewardship under her mandate direct to the League of Nations, and that the old doctrine that the British Parliament is the sovereign power for the Empire no longer holds good. Mr. Triggs maintained that there must be a United Empire in dealing with the world at large; pointed out that the King in the last resort must take the advice of his ministers in the United Kingdom, and approved New Zealand's action in regarding its mandate for Samoa as held under the Crown and the Parliament of the United Kingdom. "So long," said Mr. Triggs, "as the Empire is dependent for its protection and

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its existence on the sure shield of the British Navy, and in the main on the troops and materials furnished in time of war by the Mother Country, we are not independent of the Mother Country, and it is folly to pretend that we are." He asked that Parliament should have an opportunity of discussing the constitutional question this session with a view to creating a sound public opinion so that our representatives at the Imperial Convention next year might go with the authority of Parliament as a whole to deal with any measures they might deem necessary in order to safeguard the unity of the Empire. Sir J. R. Sinclair advocated "the loose tie" in the shape of a consultative not a governing body, an organisation that would leave to the Mother Country the final word upon all questions of Empire policy, to the Dominions their self-governing powers. Whatever the difference of opinion in New Zealand may be as to the future organisation of the Empire, it may be taken as certain that there is no demand for separate representation in foreign countries nor the slightest desire to repudiate the ultimate sovereignty of the British Parliament as the legislative, and of the British Cabinet as the executive power for the Empire.

Of Imperial interest, too, though ruled out of order, was a notice of motion given in the House of Representatives by Mr. Holland, claiming self-government for Ireland and urging the "immediate cessation of the application of martial law and the immediate withdrawal of the army of occupation." Mr. Speaker explained that he considered that the immediate withdrawal of the troops would mean handing over Ireland to outrage and murder, to the enemies of the Empire and Great Britain and to those who desired a republic in Ireland. Hence he ruled out the notice of motion on the ground that this demand was "irregular, unbecoming or objectionable in character." Mr. Holland moved that the Speaker's ruling be disagreed with, but was defeated by 41 to 4. The official Labour Party, while containing some of the ablest members and most capable

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speakers in the House, has already alienated the sympathy of all other members by its general attitude. Labour might be helping in Parliament to mould a progressive democratic policy. Instead, any cause that it takes up is at once suspect, as, for instance, its well-justified complaint about the continuation of the censorship over our literature. This is the more to be regretted as the party's representation in Parliament includes members who have proved their ability as practical men on city councils. In a Parliament composed so largely of representatives of farmers, it is difficult for city and industrial interests to receive sufficient consideration, and the antagonism between Town and Country is accentuated when such a large proportion of our city representatives are Labour extremists.

II. DEFENCE

"**M**ARK time" has been referred to as likely to be the order of the day in Defence, but possibly "Dismiss" is more in keeping with the temper of the people, or, what may be a different thing, of those sections of them who are vocal. Never in the history of the Dominion has there been such a reaction as has followed the war. We have in the past suffered from apathy, but never from such antagonism to any form of military training. The lessons that the war should have taught us, that in modern warfare the army is the nation, and the nation the army, the suddenness with which the first blow is struck, the necessity for thorough organisation in peace time, and for an expert general staff, the value of our highly trained "Old Contemptibles" in helping to stem the first onset of the Germans and to save the world, seem never to have been learnt. Nor are people here heeding the numerous wars which are at present being waged, or the danger cloud that threatens in the East, in spite of the

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warning given by General Birdwood of the need for watchfulness, that we should keep up the Territorial force, make the best possible use of the experience of the men who had seen service in the Great War, and arrange for an exchange of staff officers with Australia and India. Owing to the success of our citizen armies the fallacies seem to have taken root that any system of military training soon becomes obsolete, and that we can improvise an army when the enemy is knocking at the gate. Several members of Parliament are said to be opposed to any continuation of our present universal compulsory training "Territorial" system. The Labour Party has consistently opposed conscription or compulsory training of any kind. But it has now adopted a policy of complete defencelessness by repealing the plank in its platform which advocated a voluntary citizen army paid at Trade Union rates.

In pre-war days university students formed keen and efficient officers' training corps, and their response to the call of their country was prompt and enthusiastic. Last month some 84 students of Auckland University College applied for exemption from military training on the ground of its interference with their studies. The conference of the New Zealand Farmers' Union by a large majority declared itself against our present system of Territorial training, which was described by some speakers as wasteful and useless, and carried a motion "that the principle of compulsory military training under the Education Department be approved." Mr. A. S. Malcolm, M.P., Chairman of Committees in the House of Representatives, sketched at the conference a system that he had already advocated in Parliament during the debate on the Address in Reply, viz., general training in the primary schools and military drill up to 14 in the secondary schools; attention to be given to the training of non-commissioned officers, and at the University College chairs of military science to be established so that the students could be trained as officers, and military science to be a compulsory subject for the

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degree examinations ; attendance at the drills and classes to be compulsory for all males.

In order to counteract this antagonism to any military system, the National Defence League has recently been formed, the successor of the league of the same name whose advocacy was largely instrumental in establishing our existing compulsory training system, and which went out of existence when it had attained its object. In order to avoid any dictation from the Defence Department, its constitution prohibits any professionally paid soldier, or any shareholder or official in an ammunition factory from being an officer of the League. The League stands for a white New Zealand, the maintenance of a universal defensive training system, the provision of sufficient arms and equipment, for immediate consideration of the question of providing State plant for the manufacture of shell and small arms ammunition, for placing recruiting in the hands of a civil department of the State, and for three years' service in the ranks as a preliminary to the appointment of commissioned officers. Some of its planks are novel ; special attention to moral training, to education in the ideals of good citizenship and in the observance of health principles, to the improvement of health under medical supervision, the strict suppression of all bad language in camps, the employment of selected women to assist in cooking, ambulance work, and in all the institutes in camp where they can be profitably and suitably employed. The League affirms the principle of equality of economic sacrifice in war time as applicable to all citizens of the Dominion whether soldiers or non-combatants. Its president is General Sir Andrew Russell, who commanded the New Zealand Division in France, and who has expounded the policy of the League to meetings of Farmers, the Labour Party, the Chamber of Commerce, the Commercial Travellers and the Anglican Synod. The policy of the League, which up to date has established branches in Christchurch and Wellington,

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has received support from the great bulk of the New Zealand Press.

In view of the present state of public feeling, the Financial Statement is discreetly silent about the future development of our land defences. There is a promise to remedy in the near future the lack of arms and equipment for the Territorial force. It is considered that aviation should develop on civil lines. An advisory Air Board (without any pilot on it) and a Committee of Defence "to co-ordinate the naval, land and air defences of the Dominion" have been established, but the appointment of boards is considered by the public, and generally rightly, to mean inaction.

As regards naval defence, the light cruiser *Chatham* will commission with a reduced complement of 334 hands, and will cruise round the coast of New Zealand and the Pacific islands under her jurisdiction. New Zealand will be responsible for the pay of officers and men, the upkeep of the ship, the estimated yearly cost, including depreciation, being £200,000. The *Philomel* will be fitted out as a training ship for seamen and stokers, who, when trained, will relieve ratings lent by the Admiralty and complete the *Chatham's* complement, being sent later for further training to England. A small administrative staff will be provided. It is estimated that an expenditure of £260,000, including repairs to the *Philomel*, will be required during the current year. In the debate some members expressed the opinion that a single cruiser would be costly and ineffective, and that the money spent on her upkeep would be more profitably spent on submarines and aeroplanes. Mr. Massey's speech showed the futility of any discussion when only a fragment of the Government's policy is disclosed to Parliament, for he stated that the *Chatham* would be merely a small part of the Pacific squadron which would also include British and Australian ships, and be composed of battleships, battle cruisers and submarines. Having let the cat's head out of the bag, he still concealed

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its tail and hind legs by declining to give any further information at present. The deputy leader of the Opposition complained that the Government had committed the country to a costly naval policy without giving the House an opportunity of discussing Lord Jellicoe's report or expressing an opinion on policy. In reply, Mr. Massey suggested that he would give an opportunity for an exhaustive discussion, and that the right time would be after Lord Jellicoe's arrival. To many the suggestion that the Ministry and the House should seek and take the advice of the Governor-General after his arrival seemed a dangerous reversal of the sound constitutional rule that a governor must not interfere in politics and must be guided by the advice of his ministry, not tender advice to them. A governor cannot separate himself into watertight compartments in one of which he is the Government's adviser and in the other their "advisee" and strictly neutral. It was felt that the late Governor-General interfered in several instances and imposed his policy on the Ministry during the war, and if our future Governor is to be dragged into the political arena, one of the few links that bind us to the Mother Country will be severely strained. The discussion ended in the defeat on the voices of a motion to reduce the naval estimates by £1 as an indication that the proposed expenditure on the *Chatham* was unwarranted, unnecessary and useless.

In the annual report of the Defence Department, the General Officer Commanding (Major-General Sir Edward Chaytor) emphasises the following lessons of the war as applied to the Dominion, viz. :—

(a) An efficient army can quickly be organised provided every man has had a limited amount of training, and there is available an ample supply of modern equipment and highly trained officers and non-commissioned officers.

(b) The large percentage of the man-power found by medical examination to be physically unfit for service

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points to the necessity of a thorough course of physical training for all youths.

"The experience during the war shows that : (a) The average New Zealander, if physically fit, can soon be trained sufficiently to enable him to take his place in the ranks of a unit that has well trained officers and non-commissioned officers, but that officers and non-commissioned officers require a much longer training. (b) A very large proportion of the young men are not physically fit for active service, but a large proportion of these can be made fit, and almost all much improved by a few weeks' course of physical training. (c) Well-trained and disciplined units always show a lower sick-rate and casualty list than poorly-trained and disciplined units operating under similar conditions. (d) Delay in mobilising an adequate force results in possible loss of success and in certain extra expense and loss of life by prolonging the war.

The Defence Department estimate is £550,593. The Minister of Defence in the discussions in the House of Representatives on the annual report and on the Estimates, told the House that a new training scheme had been prepared, and would be submitted to the Defence Council. It provides for the continuance of cadet training. The Territorial service is not to extend beyond the age of 21 or 22, and the training to be cut down from 7 to 3 years. The half-day and whole day parades, so irritating to trainees and employees, are to be abolished. The first period in camp has been suggested as a fortnight or six weeks, according to the efficiency of the men, and thereafter eleven days yearly. There will probably be no training camps for three years. Expenditure is to be cut down, and the staff reduced to a small but efficient body. Featherston Camp is to be broken up, but Trentham kept for some time longer. The number of military districts is to be reduced to three. Rifle clubs are to be encouraged under the management of a rifle association. The Government will not itself undertake the manufacture of small arms ammuni-

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tion, but will encourage private firms and build up a reserve. In these discussions the general consensus of opinion was that there must be a defence system, economical, efficient, non-militarist, consonant with public convenience. Expenditure must be cut down to the irreducible minimum; special attention given to the physical fitness of the population from its earliest days.

Mr. Holland's motion to reduce the headquarters item by £1, in order to express disapproval of the high military expenditure, was defeated by 43 to 9, and a further amendment to reduce the estimate by half as an indication that the House desired economy in Defence expenditure, and that the future defence policy of the Dominion must be in the direction of increased naval expenditure, was defeated on the voices.

III. A WHITE NEW ZEALAND AND RESTRICTIONS ON IMMIGRATION

DURING the present year a large number of Orientals have entered New Zealand; 523 Chinese have landed in Auckland, 188 Hindus in Wellington. Returned soldiers' associations have protested to the Government and demanded more stringent restrictions, and all parties in the country are solid for a white New Zealand. The result of the clamour has been the introduction this month of the Immigration Restriction Amendment Bill, which might, in spite of the craft with which its real intention has been concealed, be appropriately termed "An act for the total exclusion from New Zealand of the Chinese." While on the one hand there has been a popular outcry against the admission of Chinese, on the other the Chinese consul has been endeavouring to have removed the degrading terms which are imposed upon Chinese who enter New Zealand and from which all other races (including Japanese) are free, viz. the poll tax of £100,

A White New Zealand and Immigration

and the thumb-print record, and to have the Chinese treated in a way that will not offend the susceptibilities of the ancient nation that is one of Britain's allies and friends. He has suggested that a limited number of Chinese (to be mutually agreed upon) should be admitted each year, that the poll-tax and thumb-print should be abolished, and that provision should be made for the free entry of Chinese officials, travellers and merchants on a temporary visit. The Government's reply has been the Bill referred to, against which it is understood the Consul has protested as an insult to his nation. Although the Bill enables the Government to prevent a single Chinese from landing in New Zealand, and therefore renders the continuance of the poll-tax unnecessary, the poll-tax is retained. The Prime Minister and his colleagues do not seem to realise how big an issue may be raised in the future by this ill-considered proposal, nor to have thought it worth while, whilst adequately protecting New Zealand against any great influx of coloured competitors, to obtain the goodwill of a nation whose influence may be enormous later on in the preservation of the peace of the world.

But the Bill goes a great deal further than the restriction or even the prohibition of civilisations different from and not blending with our own. It has in the past been England's pride and England's strength that she has been the asylum of the oppressed of all nations, of all classes, of all religions, of a Garibaldi, a Mazzini, a Kossuth. In spite of projects for a League of Nations and of attempts to bring the peoples of the world into closer touch and closer sympathy with each other, New Zealand's Government is adopting the attitude of "Here comes a stranger. 'Eave 'alf a brick at him." Their Immigration Restriction Bill is one of the most arbitrary and reactionary measures ever introduced in a British community.

Every person who is not of British or Irish birth or parentage must obtain a permit if he desires to settle in, or a temporary permit if he desires to visit New Zealand.

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The would-be settler in New Zealand must first make application in prescribed form for a permit to enter, and the application must be sent by post from the country of the applicant's residence, and set forth in detail his intentions and qualifications to become a settler; whereupon, "if the Minister for Customs is satisfied, he may grant a permit." The Minister may at his discretion grant or refuse a permit to enter New Zealand. There is no appeal from his decision. Hence the Bill places under permit all foreign subjects and most British subjects. But there is power, by proclamation or by Order in Council, to exempt a nation or a people from the permit provisions; and "power is also reserved to the Minister for Customs to grant exemption in the case of any particular person or class of persons. Provisions are made for British subjects on entering New Zealand to take the oath of allegiance, and for others to take an oath of obedience to the laws of New Zealand. To these no exception can be taken. A foreigner contravening the oath after arrival becomes a prohibited immigrant, and may be dealt with accordingly.

A disquieting feature of this in common with a good deal of our legislation, is the arbitrary power given to the Government and to a single Minister to interfere with the rights and liberties even of British subjects without the latter having any right of appeal to a court of law. Substantial alterations may be made in the Bill when it is considered by Parliament, but if, as is certain, it be made a party question, the Government can force it through without amendment, subject to the power of the Crown to veto it subsequently, for the Bill as drawn does not contain the section that is usual in acts intended to be reserved for the assent of the Crown, viz., that the Act shall come into operation on the day on which His Majesty's assent thereto is notified by the Governor-General by a proclamation published in the Gazette.

Samoa and the Pacific Islands

IV. SAMOA AND THE PACIFIC ISLANDS

THE report of the Commission which was appointed to enquire into the conditions of trade between New Zealand and the Pacific Islands, and which accompanied the Parliamentary party on its Pacific tour, has recently been published. It is a clear and businesslike document that calls attention to the great room for development of the trade in tropical goods from the islands and the return trade in general goods from New Zealand, but shows that owing to want of shipping facilities and lack of enterprise on the part of the New Zealand Government and New Zealand merchants, trade which should be retained and increased by this Dominion has been largely diverted to America and Australia. Last year, for instance, New Zealand sold to Fiji goods to the value of £151,662, and purchased goods to the value of £882,574, whereas Australia, paying higher freights, bought Fijian produce to the extent only of £110,444, but sold to the Fijians goods to the value of £536,974. As all New Zealand's supply of sugar comes from Fiji, the Dominion is vitally interested in the sugar industry there. This the Commission reports to be in an unsatisfactory position, land having been withdrawn from cane cultivation owing to the shortage of labour, the low price given for cane and the conditions under which the planters work. One difficulty is that as the Colonial Sugar Company has only one year's contract for the supply of sugar to New Zealand, it fixes the price per ton of sugar cane that it will give the planters for one year only, and as they take three years' crops off one planting of cane, they are never able to plan their operations in advance with any confidence. New Zealand, too, which buys the cheapest sugar in the world, and probably consumes about the greatest amount per head, to the great detriment of her people's teeth, will have to pay a higher price if it

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wishes to keep up and increase the existing supply from Fiji.

In Tonga Australian trade has a lead. Direct shipping facilities are required, for oranges are rotting on the trees and bananas are not grown on the old scale. Restrictions imposed on New Zealand goods shipped to Tonga should be removed, and a branch of a New Zealand bank established in the group. A more frequent direct service is required between the group and Samoa, and the New Zealand Government should put a steamer in for the trade.

The Commission declares emphatically in favour of imported labour for Samoa: "With a judicious selection of imported labour, strict regulations regarding matters sexual, with improved living accommodation and increased payment to meet the higher cost of living, with opportunity afforded for wives to accompany their husbands, we think," says the Commission, "imported labour would be in the best interests of the natives themselves."

At present there are 138,500 acres of alienated land and 586,500 acres of land still held by the Samoans in Upolu and Savaii. Of this alienated land 18,386 acres are in cocoanut, cocoa and rubber plantations, for which there is little Samoan labour available. Prior to the war there were about two thousand contract labourers employed; at present, owing to extensive repatriation, there are about 1,166. This decrease in labour implies a corresponding falling off of production. With insufficient labour, plantations become overgrown with weeds and undergrowth, which form a safe breeding-place for the rhinoceros beetle. This dangerous pest, if allowed to spread, would rapidly destroy not only the 16,000 acres of European plantations, but the far greater acreage owned by the Samoans.

The Commission estimates that 86,000 acres of land could be purchased by white settlers, but does not favour the settlement of returned soldiers from New Zealand on

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this land. It thinks it advisable for the New Zealand Government to hold and develop for a few years the land formerly held by the big German company. The shortage of labour prevents the rapid expansion of the export trade in all classes of tropical produce. The creation of a tropical branch of the Department of Agriculture for work in Samoa and the islands, and cold storage in Samoa are suggested. Copra-making seems to suit the native temperament, but the copra trade has been forced into the hands of the Americans by the refusal of the U.S.S. Company to carry copra owing to its alleged inflammability, a reason that the Commission rejects.

The Commission considers the principle of communism rather than any physical unfitness is responsible for the Samoans' unwillingness to work.

Since 1914 Samoan traders have been forced to make arrangements with American shipping houses for the carriage of their commodity to America, and it will be increasingly difficult to break off the connections which have thus been formed. Unless practical means are immediately taken to counteract this connection, the copra trade of Samoa will be lost to British commerce. Then, too, if American ships take away the largest portion of the Samoan products, American ships will bring in American goods in exchange, and the loss to the Empire will be considerable. Direct encouragement has thus been given to American manufacturers of copra products, and they will not willingly relinquish the business which has gradually been built up during the past five years. It is suggested that copra exported to foreign countries from the Cook Islands and Samoa (if the mandate allows) should pay a higher duty than copra exported to places within the British Empire. The Government is recommended to purchase suitable ships for the Island trade. Shipping was the first thing mentioned by every witness. "There seems to be the same shipping trouble in nearly every island we visited, and unless this matter is satisfactorily

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dealt with it is utterly impossible to have trade development, for without a satisfactory service and a certainty that the produce grown will be taken away in a reasonable time, planters, native and European, become disheartened, and consequently trade languished."

The Commission suggests that owing to harbour and shipping difficulties, the Cook Islands, with the exception of Rarotonga, should concentrate on non-perishable articles, such as copra, coffee and rubber, and thinks that Niue, which at present costs New Zealand £30,000 a year, ought to be made self-supporting by making the purchase of copra in Niue a Government monopoly. The Government should call for tenders annually for the output of copra from the island, and the successful tenderer would be required to pay from time to time to the natives, cash for the material as it was delivered to the Government sheds. Administrative charges, together with, say, £4 or £5 per ton, should be deducted from the price paid to the natives, and the amount so collected used for the development of the island.

In the House of Representatives a debate arose on the presentation of papers dealing with the Parliamentary visit to the islands and the report of the Commission. Mr. Lee, the Minister of External Affairs, stated that the policy of the Government is to carry on the Samoan plantations with properly controlled indentured labour from China in sufficient quantities to maintain production, leaving the Samoans who did not care to accept employment on the plantations to live in their own communal way. Five hundred Chinese labourers were now on their way to Samoa. He quoted a letter from the Samoan District Committee of the London Missionary Society, expressing the opinion that it is impossible for the Samoans to cope with their own rhinoceros beetles in addition to those of the European plantations, if abandoned, and that therefore indentured labour is necessary in the interests of the Samoans, that the introduction of single Chinese

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labourers has not in the past, and need not in the future constitute any serious moral danger to the Samoan people. The Labour representatives dwelt on the moral danger, on the absence of any official investigation as to the opinion of the Samoans themselves, who, in answer to enquiries from Labour members, had expressed themselves opposed to the system. They asserted that the Samoans would work if properly paid, but not under Coolie conditions or for Coolie wages, and found the solution of the Samoan problem in giving the Samoans self-determination under the League of Nations or under a British protectorate. Of the other opponents, Mr. T. M. Wilford, recently returned from America, expressed his intention of voting against the admission of Chinese or Japanese to the Pacific Islands on the grounds of national safety. Hawaii, he said, had become a Japanese colony. The Philippines could be taken by Japan at any time. The Japanese had a footing in California and could not be turned out.

After Mr. Massey had explained that the period of indenture had been reduced to two years and permission had been obtained from the Chinese Government for wives to accompany the labourers, one hundred Chinese women being now on their way to Samoa, Mr. Holland's motion in opposition to the continuance of the indentured labour system was rejected by 33 votes to 11

New Zealand. September, 1920.

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